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OFFERING CIRCULAR

Wing Tai Properties (Finance) Limited
(incorporated in the British Virgin Islands as a company limited by shares)

unconditionally and irrevocably guaranteed by
Wing Tai Properties Limited
(incorporated in Bermuda with limited liability)
(Stock code: 369)

U.S.$1,000,000,000
Medium Term Note Programme

Under this U.S.$1,000,000,000 Medium Term Note Programme (the "***Programme***"), Wing Tai Properties (Finance) Limited (the "***Issuer***") may from time to time issue notes (the "***Notes***") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Wing Tai Properties Limited (the "***Guarantor***").

Notes may be issued in bearer or registered form (respectively "***Bearer Notes***" and "***Registered Notes***"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "***Dealer***" and together the "***Dealers***"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "***relevant Dealer***" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "***Hong Kong Stock Exchange***") for the listing of the Programme by way of debt securities to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) and to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "***SFO***")) (together, "***Professional Investors***") only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Notes and the Guarantee (as defined under "***Terms and Conditions of the Notes***") have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "***Securities Act***") and may not be offered or sold in the United States unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "***Form of the Notes***" for a description of the manner in which Notes will be issued.

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Hong Kong Stock Exchange) a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Arrangers

HSBC | **Standard Chartered Bank**

Dealers

DBS Bank Ltd. | **HSBC**
Oversea-Chinese Banking Corporation Limited | **Standard Chartered Bank**

The date of this Offering Circular is 7 November 2016

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "*HKSE Rules*") for the purpose of giving information with regard to each of the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Arrangers, the Dealers and the Agents (as defined under "*Terms and Conditions of the Notes*") have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers or the Agents as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Arranger, Dealer nor any Agent accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided or purported to be provided by any Arranger, any Dealer, any Agent, the Issuer or the Guarantor or on their behalf in connection with the Programme, the Issuer, the Guarantor or the Notes. Each Arranger, each Dealer and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or such information.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Guarantor or any of the Arrangers or the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or any of the Arrangers or the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor, and the terms of the Notes being offered, including the merits and risks involved. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or any of the Arrangers or the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and Treasury regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Arrangers and the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America ("*United States*" or "*U.S.*"), the European Economic Area (including the United Kingdom and the Netherlands), Japan, the Hong Kong Special Administrative Region of the People's Republic of China ("*Hong Kong*"), Bermuda, the British Virgin Islands (the "*BVI*") and Singapore, see "*Subscription and Sale*".

None of the Arrangers, the Dealers, the Issuer or the Guarantor nor any of the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

CURRENCIES

All references in this document to "*U.S. dollars*", "*U.S.$*", "*US$*" and "*$*" refer to the lawful currency of the United States of America, to "*Hong Kong dollars*" and "*HK$*" refer to the lawful currency of Hong Kong, to "*Sterling*" and "*£*" refer to pounds sterling and to "*euro*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group (as defined under "*Summary of the Group*") and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's, the Guarantor's or the Group's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

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STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual consolidated financial statements, and any unaudited but reviewed condensed consolidated interim financial statements published subsequently to such audited annual consolidated financial statements, of the Guarantor from time to time (if any), in each case with the auditor's report, as appropriate, and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. See "*General Information*" for a description of the financial statements currently published by the Guarantor.

For purposes of this Offering Circular and the avoidance of doubt, "published" audited annual consolidated financial statements and/or, as the case may be, unaudited but reviewed condensed consolidated interim financial statements of the Guarantor shall include (but shall not be limited to) the annual audited consolidated financial statements and/or, as the case may be, unaudited but reviewed condensed consolidated interim financial statements of the Guarantor that are posted on the website of the Guarantor (*www.wingtaiproperties.com*) and/or the Hong Kong Stock Exchange (*www.hkex.com.hk*).

The Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer or the Guarantor at its respective office set out at the end of this Offering Circular. In addition, such documents will be available free of charge during normal business hours from the principal office of the Paying Agent in Hong Kong for Notes listed on the Hong Kong Stock Exchange. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer, the Guarantor or the relevant Paying Agent as to its holding of Notes and identity.

SUPPLEMENTARY OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Arrangers and the Dealers that if at any time during the duration of the Programme there is a significant (as defined in the HKSE Rules) change affecting any matter contained in this Offering Circular or a significant (as defined in the HKSE Rules) new matter has arisen, the inclusion of information in respect of which would have been required to be in this Offering Circular if it had arisen before this Offering Circular was issued, or in the event of a significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular which is capable of affecting the assessment of the Notes arising or being noted, or in the event of a change in the condition of the Issuer or the Guarantor which is material in the context of the Programme or the issue of any Notes, or if this Offering Circular would otherwise come to contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein not misleading or if it is necessary at any time to amend this Offering Circular to comply with, or reflect changes in, the laws or regulations of Hong Kong and the HKSE Rules, it shall prepare an amendment or supplement to this Offering Circular. If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared. References to this "***Offering Circular***" shall be taken to mean this document and all the documents from time to time incorporated by reference herein and forming part hereof.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Offering Circular and any supplement will only be valid for listing Notes on the Hong Kong Stock Exchange during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$1,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as defined under the applicable Pricing Supplement) shall be determined by Citicorp International Limited (the "***Fiscal Agent***") as of the date on which agreement is reached for the issue of Notes on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market (or such other foreign exchange market which is appropriate in the opinion of the Fiscal Agent) quoted by any leading international bank selected by the Fiscal Agent on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as defined below) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as defined below) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

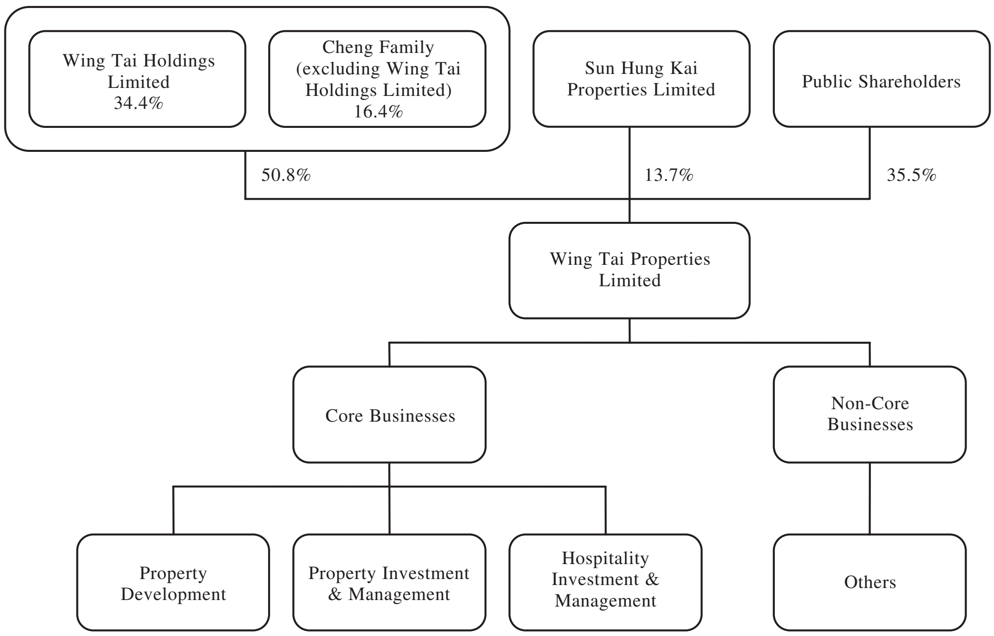
Overview

History and organisation

The Guarantor, Wing Tai Properties Limited (formerly known as USI Holdings Limited), was incorporated in Bermuda as an exempted company under the Companies Act, 1981 and its shares were listed on the Hong Kong Stock Exchange (stock code: 369) in November 1991. The Guarantor's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Guarantor is an investment holding company and its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management.

A chart showing the shareholder groups of the Guarantor and the business segments of the Group as at 30 September 2016 is set out below.



The Wing Tai group, of which Wing Tai Holdings Limited is an important member and the Cheng Family is a substantial shareholder, began as a Hong Kong garment factory in 1955. Wing Tai Holdings Limited is a company listed on the Singapore Stock Exchange and is one of Singapore's leading property developers and lifestyle companies.

Over the years the Group has shifted its business focus from garment-related businesses to the property businesses and has accumulated almost 20 years' experience in the latter. Over the last few years, the Group has undertaken various strategic initiatives to streamline its corporate structure and to transform itself into a diversified property group focusing on property development, property investment and management and hospitality investment and management. These initiatives include:

- In 2007 — the completion of an offer made by the Guarantor for shares in Winsor Properties Holdings Limited ("***Winsor***"), which resulted in the Guarantor holding 79.26% of the shares in Winsor, which held a sizeable portfolio of quality commercial and industrial investment properties;

- In 2010 — the change of the Guarantor's name from USI Holdings Limited to Wing Tai Properties Limited to reflect the Group's focus on the property business;

- In April 2012 — the disposal of the Gieves & Hawkes group by the Guarantor as part of the Group's efforts to divest certain non-core businesses;

- In 2012 — the series of transactions undertaken by the Group which involved (among other things) the completion of a group reorganisation of Winsor, a distribution in specie and payment of a special cash dividend by Winsor and the disposal of the Guarantor's entire interest in the reorganised Winsor, and the Group's offer to acquire the independent shareholders' interests in the distributed asset group; and

- In October 2013 — the cessation of the garment manufacturing operations.

Business segments

The core business segments of the Group consist of property development, property investment and management and hospitality investment and management. The Group operates under the brand "WingTai Asia" (which is licensed from Wing Tai Holdings Limited) for its property development business, and the brand "Lanson Place" (which is owned by the Guarantor) for its hospitality management business.

As at 30 September 2016, the Group had a total land bank of approximately 3,410,000 square feet in terms of gross floor area/saleable area, with the majority (by dollar value and square feet) situated in various locations in Hong Kong with easy transportation accessibility. The land bank comprises a portfolio of residential and investment properties, with approximately 890,000 square feet in terms of gross floor area/saleable area (representing 26%) in residential property which are intended for sale (which include unsold units, pre-sold units the revenue for which has not yet been recognised and units under development); and approximately 2,520,000 square feet in terms of gross floor area (representing 74%) in Grade A commercial, retail and industrial properties and luxury boutique hotel and serviced residences which are intended for long term investment and generation of recurring income and cash flow.

The value of the total assets of the Group as at 31 December 2015 was HK$28,220.9 million. For the year ended 31 December 2015, the total revenue and profit before taxation of the Group's operations (excluding change in fair value of investment properties and financial instruments) were HK$1,009.2 million and HK$477.6 million, respectively. For the six months ended 30 June 2016, the total revenue and profit before taxation of the Group's operations (excluding change in fair value of investment properties and financial instruments) were HK$468.0 million and HK$196.0 million, respectively.

Overall strategies

The Group's strategy is to continue to enhance its integrated property and hospitality platform, focusing on the premium and luxury market primarily in Hong Kong and strategically in key gateway cities. The Group will seek to continue strengthening its residential property development pipeline and investing in investment and hospitality assets to its balanced asset portfolio with a view to achieving a strong and stable recurring income and cash flows.

The Group will continue to seek appropriate opportunities to replenish its land bank and acquire quality assets. The Group seeks to create value and enhance investment return by:

- operating under "WingTai Asia" and "Lanson Place" brands, which are recognised by customers and property owners in Asia;

- co-operating with suitable strategic partners including major property developers in Hong Kong and Asia, as well as reputable property fund investors;

- investing in development projects where the Group can add value by seeking to deliver high quality products with sophisticated designs and planning, quality craftsmanship, superior execution, innovative marketing campaigns and timely sales launch;

- investing in investment and hospitality properties where the Group can add value by seeking to deliver quality products, well-planned market positioning, optimising leasing strategy for quality tenant mix and providing a premium standard of management services and regular asset enhancement programmes;

- growing a hospitality management service network in first-tier cities in Asia; and
- generating rental income through the acquisition and holding of quality investment properties.

As part of its overall operating strategy, the Group adopts a prudent financial management policy and closely monitors its gearing, debt servicing and the maturity profile of its borrowings to maintain a healthy financial profile with sufficient liquidity.

Share capital and profits attributable to equity holders of the Guarantor

As at 30 June 2016, the Guarantor had an authorised share capital of HK$1,000 million divided into 2,000,000,000 ordinary shares of HK$0.50 each and an issued share capital of HK$671,738,139.50 consisting of 1,343,476,279 ordinary shares of HK$0.50 each.

For the six months ended 30 June 2016, the Group's unaudited consolidated profit attributable to equity holders of the Guarantor from continuing operations was approximately HK$300.2 million. For the year ended 31 December 2014, the Group's consolidated profit attributable to equity holders of the Guarantor from continuing operations was approximately HK$1,943.6 million. For the year ended 31 December 2015, the Group's consolidated profit attributable to equity holders of the Guarantor from continuing operations was approximately HK$1,099.1 million.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meaning in this summary.

Issuer:	Wing Tai Properties (Finance) Limited
Guarantor:	Wing Tai Properties Limited
Description:	Medium Term Note Programme
Arrangers:	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank
Dealers:	DBS Bank Ltd. The Hongkong and Shanghai Banking Corporation Limited Oversea-Chinese Banking Corporation Limited Standard Chartered Bank and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restriction applicable at the date of this Offering Circular. **Notes with a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a redemption value of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Fiscal Agent:	Citicorp International Limited
Registrar:	Citigroup Global Markets Deutschland AG
Transfer Agent:	Citibank N.A., London Branch
CMU Lodging Agent:	Citicorp International Limited
Paying Agent:	Citibank N.A., London Branch

Programme Size:	Up to U.S.$1,000,000,000 in nominal amount (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Issuer and the Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see also "*Certain Restrictions — Notes with a maturity of less than one year*" above.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

	(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree. Index Linked Notes which are issued as an *appel public à l'épargne* in France must be issued in compliance with the *Principes Généraux* from time to time set by the *Commission des Opérations de Bourse* and the *Conseil des Bourses de Valeurs* or any successor body thereto.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable, (ii) for taxation reasons or (iii) following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

	Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes with a maturity of less than one year*" above.
Change of Control Redemption:	The terms of the Notes will contain a provision for the early redemption of the Notes at the option of the holders thereof upon the occurrence of a Change of Control as further described in Condition 7.5.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. *In making an investment decision, each prospective investor is strongly recommended to consult its own professional advisers in respect of the tax implications of holding the Notes, see "Taxation".*
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional and, subject to the provisions of Condition 4, unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.
Rating:	Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Listing:	Application has been made to list the Notes issued under the Programme on the Hong Kong Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Clearing Systems:	The CMU Service, Euroclear, Clearstream, Luxembourg and/or any other clearing system, as specified in the relevant Pricing Supplement, see "*Form of Notes*".
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States (as to which see below), the European Economic Area (including the United Kingdom and the Netherlands), Japan, Hong Kong, Singapore, Bermuda and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S (Category 1), TEFRA C, TEFRA D or TEFRA not applicable, as specified in the applicable Pricing Supplement.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables present a summary of the consolidated financial information and other data of the Group. This information should be read in conjunction with the Group's audited consolidated financial statements as of and for each of the years ended 31 December 2014 and 2015 and the Group's unaudited condensed consolidated interim financial information as of and for the six months ended 30 June 2016, which are included elsewhere in this Offering Circular. The selected financial data as of and for the year ended 31 December 2013 is derived from the Guarantor's audited consolidated financial statements as of and for the year ended 31 December 2014.

The Group's unaudited condensed consolidated financial information for the six months ended 30 June 2016 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "***HKICPA***").

Consolidated Income Statements and Other Financial Data

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$ million	HK$ million	HK$ million	HK$ million (Unaudited)	HK$ million (Unaudited)
Continuing operations					
Revenue	1,736.2	1,783.5	1,009.2	539.8	468.0
Cost of sales	(917.4)	(857.1)	(264.3)	(157.4)	(92.0)
Gross profit	818.8	926.4	744.9	382.4	376.0
Other gains, net	105.6	8.0	71.2	2.1	10.2
Selling and distribution costs	(85.9)	(75.9)	(37.0)	(24.7)	(7.5)
Administrative expenses	(236.9)	(250.0)	(280.1)	(134.2)	(142.6)
Change in fair value of investment properties and financial instruments	2,121.1	1,539.2	704.7	264.5	162.1
Profit from operations	2,722.7	2,147.7	1,203.7	490.1	398.2
Finance costs	(159.1)	(130.1)	(106.5)	(53.9)	(44.0)
Finance income	13.2	13.9	14.7	8.0	10.4
Share of results of joint ventures	163.5	(0.6)	72.4	75.2	(6.9)
Share of results of associates	5.9	2.2	(2.0)	1.0	0.4
Profit before taxation from continuing operations	2,746.2	2,033.1	1,182.3	520.4	358.1
Taxation	(91.4)	(89.5)	(83.2)	(51.7)	(57.9)
Profit for the year/period from continuing operations	2,654.8	1,943.6	1,099.1	468.7	300.2
Discontinued operations					
Profit for the period from discontinued operations	6.4	–	–	–	–
	6.4	–	–	–	–
Profit for the year/period	2,661.2	1,943.6	1,099.1	468.7	300.2

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$ million	HK$ million	HK$ million	HK$ million (Unaudited)	HK$ million (Unaudited)
Attributable to:					
Equity holders of the Guarantor					
– From continuing operations	2,654.6	1,943.6	1,099.1	468.8	300.2
– From discontinued operations.	6.4	–	–	–	–
	2,661.0	1,943.6	1,099.1	468.8	300.2
Non-controlling interests					
– From continuing operations	0.2	–	–	(0.1)	–
	2,661.2	1,943.6	1,099.1	468.7	300.2
Earnings per share attributable to equity holders of the Guarantor (expressed in HK dollar per share)					
Basic earnings per share					
– From continuing operations	HK$1.99	HK$1.45	HK$0.82	HK$0.35	HK$0.22
– From discontinued operations.	–	–	–	–	–
	HK$1.99	HK$1.45	HK$0.82	HK$0.35	HK$0.22
Diluted earnings per share					
– From continuing operations	HK$1.98	HK$1.45	HK$0.82	HK$0.35	HK$0.22
– From discontinued operations.	–	–	–	–	–
	HK$1.98	HK$1.45	HK$0.82	HK$0.35	HK$0.22
Interim Dividends (expressed in HK$ million)	56.1	56.2	56.3	56.3	56.4
Final Dividends (expressed in HK$ million)	124.5	124.5	144.9		
Other financial information (unaudited)					
Earnings before interest, tax, depreciation and amortisation ("***EBITDA***")*	2,921.2	2,174.0	1,293.8	576.8	404.2
EBITDA excluding change in fair value of investment properties and financial instruments	800.1	634.8	589.1	312.3	242.1

* EBITDA is defined as profit for the financial year or period from continuing operations after adding back interest expense and other financial costs, tax, depreciation and amortisation. EBITDA is not a recognised term under HKFRS and should not be considered as an alternative to profit before taxation as an indicator of the Group's operating performance or any other measure of performance derived in accordance with HKFRS. EBITDA may not be comparable to similar measures presented by other companies.

Consolidated Statements of Comprehensive Income

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$ million	HK$ million	HK$ million	HK$ million (Unaudited)	HK$ million (Unaudited)
Profit for the year/period	2,661.2	1,943.6	1,099.1	468.7	300.2
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Net surplus arising on revaluation of other properties, plant and equipment upon transfer to investment properties	7.1	–	–	–	–
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	13.5	(44.8)	(84.5)	(2.9)	(36.3)
Exchange gain realised to profit or loss upon disposal of an associate	–	–	(8.5)	–	–
Net fair value (loss)/gain arising from revaluation of available-for-sale financial assets	(50.0)	87.8	(127.3)	(66.7)	71.8
Net gain/(loss) on cash flow hedge					
– Fair value gains/(losses)	33.5	(53.1)	(51.5)	(29.3)	32.9
– Realised upon settlement	45.6	26.9	(0.4)	–	–
– Release to profit or loss	–	(5.1)	–	(0.4)	–
Net (loss)/gain on net investment hedge	(7.9)	0.6	9.8	3.2	1.0
	34.7	12.3	(262.4)	(96.1)	69.4
Other comprehensive income for the year/period, net of tax	41.8	12.3	(262.4)	(96.1)	69.4
Total comprehensive income for the year/period	2,703.0	1,955.9	836.7	372.6	369.6
Attributable to:					
Equity holders of the Guarantor	2,702.8	1,955.9	836.7	372.7	369.6
Non-controlling interests	0.2	–	–	(0.1)	–
Total comprehensive income for the year/period	2,703.0	1,955.9	836.7	372.6	369.6
Total comprehensive income attributable to equity holders of the Guarantor:					
– From continuing operations	2,696.4	1,955.9	836.7	372.7	369.6
– From discontinued operations	6.4	–	–	–	–
	2,702.8	1,955.9	836.7	372.7	369.6

Consolidated Balance Sheets

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$ million	HK$ million	HK$ million	HK$ million (Unaudited)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	19,002.7	20,586.1	21,448.8	21,552.9
Other properties, plant and equipment	68.0	58.4	55.9	54.5
Investments in joint ventures	511.5	482.3	490.0	468.2
Loans to joint ventures	1,726.7	1,905.8	1,649.7	1,533.1
Investments in associates	100.5	100.0	5.1	5.8
Loans to associates	24.7	21.8	14.8	14.8
Deposits and loan receivables	20.1	17.5	15.1	13.8
Other financial assets	401.6	487.0	358.3	430.1
Deferred tax assets	9.4	4.5	6.5	12.5
Derivative financial instruments	30.2	–	3.4	9.7
	21,895.4	23,663.4	24,047.6	24,095.4
Current assets				
Properties for sale	1,425.0	1,322.2	1,295.6	2,435.4
Trade and other receivables, deposits and prepayments	1,885.9	777.0	776.3	979.0
Other financial assets	51.3	38.9	–	–
Derivative financial instruments	–	0.4	11.2	52.4
Sales proceeds held in stakeholders' accounts	192.4	79.1	–	–
Tax recoverable	2.3	40.7	1.4	0.8
Restricted bank deposits	10.6	13.5	14.6	–
Bank balances and cash	1,242.2	1,592.6	2,074.2	672.0
	4,809.7	3,864.4	4,173.3	4,139.6
Non-current assets classified as assets held for sale	–	–	–	439.2
	4,809.7	3,864.4	4,173.3	4,578.8
Current liabilities				
Trade and other payables and accruals	684.9	404.4	435.7	507.4
Derivative financial instruments	39.5	18.9	19.0	16.9
Tax payable	71.7	46.2	48.6	63.2
Bank and other borrowings	1,739.7	63.8	439.6	492.4
	2,535.8	533.3	942.9	1,079.9
Non-current liabilities				
Bank and other borrowings	2,947.1	3,815.0	3,326.7	3,433.0
Other long-term liability	58.9	91.5	73.7	82.9
Derivative financial instruments	54.2	136.6	239.5	180.4
Deferred tax liabilities	213.9	271.2	290.8	320.4
	3,274.1	4,314.3	3,930.7	4,016.7
NET ASSETS	20,895.2	22,680.2	23,347.3	23,577.6
EQUITY				
Equity attributable to equity holders of the Guarantor				
Share capital	667.6	669.3	670.6	671.7
Reserves	20,226.1	22,009.7	22,675.7	22,904.9
	20,893.7	22,679.0	23,346.3	23,576.6
Non-controlling interests	1.5	1.2	1.0	1.0
TOTAL EQUITY	20,895.2	22,680.2	23,347.3	23,577.6

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Guarantor or which the Issuer or the Guarantor currently deems to be immaterial, may affect the Guarantor's business, financial condition or results of operations or its ability to fulfil its obligations under the Notes.

Risks relating to the Issuer

The Issuer is a special purpose company with no business activities of its own and will be dependent on funds from the Guarantor to make payments under the Notes

The Issuer was established specifically for the purpose of raising finance under the Programme and will use the net proceeds from the issue of the Notes to on-lend to the Guarantor and/or its subsidiaries for general corporate purposes. The Issuer does not and will not have any business activities other than the issuance of debt securities, and its ability to make payments under the Notes will depend on its receipt of timely remittance of funds from the Guarantor and/or other members of the Group.

Risks relating to the Group and its Business

The Group's performance is dependent on the Hong Kong property markets

The Group currently has interests in a number of real estate properties, including investment and development properties, the majority (by dollar value) of which are situated in Hong Kong. The Group's business, financial condition and results of operations are largely dependent on the operational and financial performance of these properties (see "*Description of the Group*"). The property interests of the Group are subject to certain risks inherent in the ownership of, investment in and development of real estate properties. These risks include, but are not limited to, the cyclical nature of property markets, changes in general economic, business and credit conditions, changes in government policies or regulations affecting real estate, building and other raw materials shortages, fluctuations in interest rates and the costs of labour and materials. The Group's property interests are also affected by the strength of the local economy.

The Group derives a substantial portion of its revenue and operating profits from its Hong Kong property investment activities and is consequently dependent on the general performance of the Hong Kong property markets. In the past, Hong Kong property values have been affected by supply and demand of comparable properties, the rate of economic growth in Hong Kong and political and economic developments in the People's Republic of China (the "***PRC***"). Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate fluctuations and inflation. Any decline in rental yields or property values could have an adverse effect on the Group's business, financial condition or results of operations. Any adverse developments with respect to the property markets in Hong Kong could have an adverse effect on the Group's business, financial condition or results of operations.

Fluctuations in the Hong Kong property market may have an impact on the Group's balance sheet

The Group is required to reassess the fair value of its investment properties at every reporting date for which it issues financial statements. The valuations will be based on market prices or alternative valuation methods, such as through discounted cash flow analysis based on estimated future cash flows, which is dependent on the state of the Hong Kong property market. Consequently, fluctuations in the Hong Kong property market may affect the fair value of the Group's investment properties and impact on the Group's balance sheet.

Measures adopted from time to time by the government of Hong Kong (the "Hong Kong government") which affect the real estate market could slow down the industry's rate of growth or cause the real estate market to decline

The Hong Kong real estate market is subject to regulations from time to time promulgated by the relevant authorities. The Hong Kong Monetary Authority has implemented regulatory measures in recent years to mitigate risks in residential mortgage lending in the banking sector. This has included prudential measures to reduce the maximum loan-to-value ratio for mortgages of high end properties, from 60% and then 50%, gradually between late 2009 and mid-2011. In September 2012, the Hong Kong Monetary Authority issued guidelines to banks to tighten the approval criteria and tenor for property mortgage loan applicants with multiple properties under mortgage. In February 2013, the Hong Kong Monetary Authority further issued guidelines to banks to tighten up the stress-test on mortgage applicants' repayment abilities, to reduce the maximum loan-to-value ratios of mortgage loans for all commercial and industrial properties by 10 percentage points, to set the maximum loan-to-value ratio of mortgage loans for standalone car park spaces at 40%, and to set the maximum loan tenor therefor at 15 years. In February 2015, the Hong Kong Monetary Authority issued guidelines to banks on a new round of supervisory measures on property mortgage to strengthen banks' risk management and resilience. These measures are (i) to lower the maximum loan-to-value ratio for self-use residential properties with value below HK$7 million by a maximum of 10 percentage points, (ii) to lower the maximum debt-servicing ratio and the stressed-debt-servicing ratio cap for borrowers who buy a second residential property for self-use to 40% from 50% and to 50% from 60% respectively, and (iii) to lower the debt-servicing ratio and the stressed-debt-servicing ratio cap of mortgage loans for all non-self use properties to 40% from 50% and to 50% from 60% respectively.

The Residential Properties (First-hand Sales) Ordinance (Chapter 621 of the Laws of Hong Kong) came into full operation with effect from 29 April 2013. It sets out detailed requirements in relation to sale brochures, price lists, show flats, disclosure of transaction information, advertisement, sales arrangements and the mandatory provisions for the preliminary agreement for sale and purchase and agreement for sale and purchase for the sale of first-hand residential properties.

In addition, the Hong Kong government may introduce cooling measures on the Hong Kong property market from time to time, which may have an impact on the supply and demand in the property market. For example, the Stamp Duty (Amendment) Ordinance 2011 imposes Special Stamp Duty ("***SSD***") on top of the ad valorem stamp duty ("***AVD***") on the disposal of residential properties with effect from 20 November 2010. Unless the transaction is exempted from SSD or SSD is not applicable, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold within 24 months, will be subject to SSD. The Stamp Duty (Amendment) Ordinance 2014 (i) adjusts the rates and extends the holding period in respect of SDD and (ii) imposes Buyer's Stamp Duty ("**BSD**") on top of AVD and SSD, both with effect from 27 October 2012. Pursuant to this ordinance, any residential property acquired on or after 27 October 2012 and resold within 36 months is subject to the new rates of SSD whereas BSD is generally chargeable on a chargeable agreement for sale of any residential property. The major exception to BSD is where the purchaser is a

Hong Kong permanent resident acting on his or her own behalf in acquiring the property. The Stamp Duty (Amendment) (No. 2) Ordinance 2014 increases the AVD rates on transactions for both residential and non-residential properties (other than those transactions specially exempted thereunder) and advances the timing for charging AVD on non-residential property transactions from the conveyance on sale to the agreement for sale, both with effect from 23 February 2014. The major exemption from the increase of the AVD rates is where the purchaser or transferee of a residential property is a Hong Kong permanent resident acting on his or her own behalf and is not a beneficial owner of any other residential property in Hong Kong at the time of acquisition of the property concerned. Furthermore, the Hong Kong government raised the rate of AVD for all residential purchases to 15%, except for first-time buyers who are Hong Kong permanent residents, with effect from 5 November 2016.

As the introduction of the aforementioned measures are subject to policy changes reflecting domestic political or economic circumstances, there is no assurance that the Hong Kong government will not introduce further measures in the future that may have an impact on the property market, which may in turn affect the Group's results of operations and financial condition.

The Hong Kong government may take further measures in the future to affect the property market, such measures may limit the Group's access to capital resources, reduce market demand, increase the Group's operating costs, slow down the development of the industry and/or adversely affect the Group's business and results of operations.

The Group is exposed to property market risks in the PRC

The Group has interests in property investments in the PRC and is therefore subject to the risks associated with property investment in the PRC.

Historically, the property market in the PRC has been cyclical and property prices in general have been volatile in recent years. The rapid expansion of the property markets in certain major cities in the PRC including Shanghai and Beijing in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property values and rentals in the second half of that decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in certain major cities as a result of increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major cities such as Beijing, Shanghai, Guangzhou and Shenzhen have experienced rapid and significant growth. In recent years, certain major cities have seen cyclical changes in their property markets. Since 2010, the PRC government at both the central and local levels have implemented austerity measures such as home purchase restrictions, which have dampened the market sentiment and lowered transaction volume in the property market in the PRC. As a result, there is no assurance that the problems of oversupply and falling property prices will not recur to the extent of the mid-1990s or be even worse or that the recurrence of such problems with respect to the property market in the PRC will not adversely affect the Group's business, financial condition or results of operations.

The Group's operation in the PRC may be subject to the risks of change of policies and intervention imposed by the central government in the PRC or the respective local governments or by regulators concerning economic policies or goals from time to time and this could adversely affect its operating results. In addition, private ownership of property in the PRC is still at an early stage of development. For example, the property market in the PRC has in the past experienced weakness in demand due to the lack of a mature and active secondary market for private properties and the limited availability of mortgage loans to individuals in the PRC as a result of government interventions.

Economic, political and legal developments in Hong Kong could negatively affect the Group's business

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

Any disruption to Hong Kong's economy, such as an increase in the unemployment rate, a reduction in consumer spending, an upsurge in interest rates, labor disputes or attempts by the PRC government to slow economic growth or limit travellers to Hong Kong, may have an adverse impact on the Group's financial condition, asset value, results of operations and prospects. Hong Kong is a Special Administrative Region of the PRC, with its own government and legislature. The Joint Declaration between the PRC and British governments and the Basic Law, the "mini-constitution" for Hong Kong, provide that Hong Kong will have a high degree of legislative, judicial and economic autonomy, that the socialist system and policies of PRC will not be practiced in Hong Kong, and that Hong Kong's capitalist system and way of life shall remain unchanged for 50 years from 1 July 1997 (the date on which PRC resumed the exercise of sovereignty over Hong Kong). If there were any change in the political or legal environment in Hong Kong, the Group's business and financial condition could be adversely affected.

The progress of the Group's property developments is dependent on the attainment of various permits, certificates and approvals

In its property development activities, the Group must obtain various permits, certificates, relevant approvals from the relevant administrative authorities at various stages of development. Such permit, certificate or approval may be dependent on the satisfactory compliance with certain requirements or conditions. There can be no assurance that the Group will not encounter material delays or other impediments in fulfilling the conditions precedent to obtain such permits, certificates or approvals.

The Group's business may be affected by global economic developments

Economic developments outside Hong Kong could also adversely affect the property markets in Hong Kong and the Group's overall business. Since the second half of 2007, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions which have originated from the liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. Sub-prime mortgage loans and other consumer credit products in the United States have also experienced increased rates of delinquency, foreclosure and loss. These and other related events, such as the collapse of a number of financial institutions and other entities, rising government deficits and debt levels, together with the ratings downgrading of certain member states of the European Union and various other debt issues in the Eurozone, have had and will continue to have a significant adverse impact on the global capital markets associated not only with asset-backed securities but also on the global credit and financial markets as a whole including, among other things, the demand for real estate, the availability and cost of credit and consumer sentiment. The deterioration in the financial markets has contributed to a recession in the United States and other economies, which has led, and may continue to lead, to significant declines in employment, household wealth, consumer demand and lending, and as a result may adversely affect economic growth in Hong Kong and elsewhere. Since then, economic indicators in developed markets have gradually been improving. Such incremental recuperation, however, has been offset by various factors, including the tapering of the stimulative quantitative easing policy by the U.S. Federal Reserve and the resulting decrease in liquidity in U.S. markets, the political crisis in Ukraine and other events in emerging markets which increase global economic uncertainty. There can be no assurance that a recession or slow economic growth in the United States or other economies will not result in reduced demand or a decrease in consumers' or investors' confidence in the property markets or lower property prices in Hong Kong.

The Group's hospitality business is subject to prevailing economic conditions in markets or countries from which its guests and tenants come. The Group is subject to the ability and willingness of these consumers to spend money on business, housing allowances, business travel, leisure and entertainment activities in the locations where it operates. A deterioration in economic conditions may reduce the level of business expenditure and the level of disposable income that consumers spend on leisure and entertainment activities, which may reduce the level of patronage of the serviced residences and hotel owned or managed by the Group, and in turn could have an adverse effect on the Group's results of operations.

Changes in the global credit and financial markets have in recent years affected the availability of credit and led to an increase in the cost of financing. Whilst the Group currently has committed facilities available that enable it to meet its current funding needs and future business expansion, the Group may have difficulty in the future in accessing the financial markets, which could make it more difficult or expensive to obtain funding. There can be no assurance that the Group will be able to continue to raise finance at a reasonable cost, or at all, which may have an adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risks incidental to the ownership and development of real estate properties

The Group is subject to risks incidental to the ownership and lease of residential, office, industrial, serviced residences, hotel and commercial properties including, among other things, competition for tenants, changes in market rents, renewal of leases or re-letting of space as existing leases expire, rent adjustments, default in payment of rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to maintain, renovate, repair and re-let space periodically and to pay the associated costs.

The Group's property development business involves risks distinct from those involved in the ownership and operation of developed properties being, among other things, that financing for development may not be available on favourable terms or at all, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labour, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk that purchasers and/or tenants may default on their payments. An increase in mortgage rates in countries where the Group has property interests may also adversely affect the availability of loans on terms acceptable to purchasers, and hence the sale performance of the Group's properties. The Group may also be subject to solvency risks of its banks and of its counterparties in its financial investments and arrangements.

The Group's business requires substantial capital investment

The Group has historically required and expects that it will require in the future additional financing to fund its capital expenditures, to support the future growth of its business, particularly with respect to its property development and investment activities, and/or to refinance existing debt obligations. The Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's business, provisions of relevant tax and securities laws and political and economic conditions in Hong Kong and other jurisdictions in which it operates. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit the Group's ability to respond to adverse changes in the performance of its properties

As investment properties are in general relatively illiquid, the Group's ability to sell them in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors beyond the Group's control, such as general economic conditions, availability of financing, interest rates, supply and demand of properties. The Group cannot predict whether it will be able to sell any of its investment properties for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Group also cannot predict the length of time needed to find a purchaser and to close a sale in respect of an investment property.

In addition, investment properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures. In particular, the Group may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property can be sold. There is no assurance that the Group will have funds available for these purposes. These factors and any other factors that would impede the Group's ability to respond to adverse changes in the performance of its investment properties could affect its ability to retain tenants and to compete with other market participants, as well as affecting its results of operations.

The Group's profitability may be affected by revaluation of its investment properties as required by Hong Kong Financial Reporting Standards

The Group is required to reassess the fair value of its investment properties at every reporting date for which it issues financial statements thereafter. The valuations will be based on market prices or alternative valuation methods, such as through discounted cash flow analysis based on estimated future cash flows. In accordance with Hong Kong Accounting Standard 40 "Investment property", the Group recognises changes to the fair value of its investment properties as a gain or loss (as applicable) in its income statements. The profits attributable to equity holders of the Group may include gains and losses that arise from revaluation of the Group's investment properties. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. There is no assurance that the fair value of its investment properties will not decrease in the future. Any such decrease in the fair value of the Group's investment properties will reduce the Group's profits.

The Group's profit margin may be affected by fluctuations in construction costs

Construction costs comprise one of the predominant components of the Group's cost of sales. Construction costs encompass all costs for the design and construction of a project, including labour costs, payments to third-party contractors, costs of construction materials, foundation and superstructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. A general trend in the economy of increased inflationary risk may have an impact on the construction costs and other costs. Construction costs may also fluctuate as a result of factors including the volatile price movement of construction materials such as steel and cement and shortages in labour supply.

The Group manages the cost of outsourced construction work through a process of tenders. In the event that existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts.

The Group may not always be able to obtain sites that are suitable for development and investment

The Group derives a substantial part of its revenue from sales or lease of properties that it has developed or bought. This revenue stream depends on the completion of, and the Group's ability to sell or lease, its property developments and property investments. In order to maintain and grow its business in the future, the Group will be required to replenish its land reserve with suitable sites for development and investment. The Group's ability to identify and acquire suitable sites is subject to a number of factors that are beyond its control. The amount of land offered by the Hong Kong government by auction or tender is limited. The Group may from time to time consider the possibility of acquiring land from other property investment companies, although it has not done so in the past. The Group's business and results of operations may be adversely affected if it is unable to obtain sites for development and/or investment at prices that allow it to achieve reasonable returns upon sale or lease to its customers.

Some of the Group's property developments are undertaken through joint ventures

The Group has invested in joint venture companies to develop some of its property developments. Certain corporate actions of these joint ventures require approval of all partners. Such joint ventures may involve special risks associated with the possibility that the Group's joint venture partners may:

(i) have economic or business interests or goals that are inconsistent with those of the Group;

(ii) take action contrary to the instructions or requests of the Group or contrary to the Group's policies or objectives with respect to its property investments;

(iii) be unable or unwilling to fulfil their obligations under the joint venture agreements; or

(iv) experience financial or other difficulties.

Although the Group has not experienced any significant problems with respect to its joint venture partners to date which could not be resolved, should such problems occur in the future, they could have a material adverse effect on the success of these property developments.

The Group is subject to risks relating to accidents or other incidents which may not be covered by insurance

The Group maintains insurance coverage on all of its completed properties and properties under construction in accordance with what it believes to be industry standards. However, insurance policies generally do not cover certain types of losses such as war, civil disorder and acts of terrorism and/or the Group's business interruption risks under certain circumstances. Furthermore, whilst every care is taken by the Group and its employees in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents may expose the Group to liability or other claims by its customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. Any substantial losses arising from the occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business and results of operations of the Group.

The Group's securities investments are subject to economic, market and company specific changes

The prices of the Group's securities investments are subject to economic, market and company specific changes. Such changes may adversely affect the value of the securities, regardless of company specific performance. Additionally, different industries, financial markets and securities can react differently to these changes. Such fluctuations in the value of the Group's securities investments portfolio are often exacerbated in the short-term as well. The risk that the share price of one or more companies in the Group's securities investments portfolio will fall, or fail to rise, may adversely affect the overall portfolio performance in any given period. There is no assurance that the Group's income derived from its securities investments can be sustained or that the Group will be able to maintain its historical results during difficult economic or political conditions. Investors should not rely on the Group's historical profit levels as an indication of its future financial performance.

The Group's business is subject to various laws and regulations

The operations of the Group are subject to various laws and regulations of Hong Kong. The Group's activities on its investment and development properties are limited by zoning ordinances and other regulations enacted by the authorities in Hong Kong. Developing properties, refurbishment and other re-development projects require government permits, some of which may take longer to obtain than others. From time to time, the authorities in Hong Kong may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to routine inspections by the authorities in Hong Kong with regard to various safety and environmental issues.

From time to time, changes in laws and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations in Hong Kong. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The Group relies on independent contractors for the provision of certain services

The Group engages independent third-party contractors to provide various services including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators, as regards its property development activities. There is no assurance that the services rendered by any independent third-party contractor engaged by the Group will always be satisfactory or match the level of quality expected of the Group. There is a risk that the Group's major contractors may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. The timely performance of these contractors may also be affected by natural and human factors such as natural disasters, calamities, outbreak of wars and strikes which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition or results of operations of the Group.

The occurrence of a contagious disease in Asia could affect the Group's business, financial condition or results of operations

In 2003, there was an outbreak of SARS in Hong Kong, the PRC and other Asian countries. The SARS outbreak had a significant adverse impact on the economies of many of the affected countries. There have also been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 and 2010, there have also been outbreaks among humans of the influenza A/H1N1 virus globally.

There can be no assurance that there will not be another significant outbreak of a highly contagious disease in Hong Kong or other markets in which the Group operates in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The Group's revenue and results of operations from property development and property investment fluctuate significantly from period to period

The Group's results of operations from property development have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. The Group's revenue and results of operations from property development for each period depend primarily on the number of properties the sale proceeds from which become recognised as the Group's revenue in such periods. The Group's revenue from sales of completed properties is recognised when the occupation permits for the relevant properties have been obtained.

The Group cannot predict with certainty the time of obtaining occupation permits, consents-to-assign and/or certificates of compliance, and hence the time of the revenue recognition from any pre-sale and the ability to use all the proceeds from such pre-sale, as the completion of any property development will vary according to its construction timetable and the time required to obtain the occupation permits, consents-to-assign and certificates of compliance. Accordingly, due to the volatile nature of the revenue that is generated from property development, the periods discussed in the financial statements included in this Offering Circular may not be comparable to each other or other future periods.

The Group's results of operations during the years ended 31 December 2013, 31 December 2014 and 31 December 2015 also included an increase in the fair value of the investment properties. The amount of revaluation adjustments has been, and may continue to be, significantly affected by the prevailing conditions in the property markets and may be subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate and disposable income level can substantially affect the fair value of the Group's investment properties and affect the supply and demand in the property market. All these factors are beyond the Group's control. There can be no assurance that the Group will continue to record similar levels of increase in the fair value of investment properties in the future. Moreover, the fair value of the Group's investment properties could decrease in the event that the market for comparable properties experiences a downturn as a result of the government policies aimed at "cooling-off" the property market, or otherwise. Any such decrease in the fair value of the Group's investment properties may materially and adversely affect the Group's results of operations from property investment and development.

The Group may experience schedule delays or budget overruns in completing the Group's property development projects

Property development projects typically require substantial capital outlay and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, if at all. The time and costs required in completing a property development project may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevention of, the completion of a property development project and result in costs substantially exceeding those originally budgeted for. Furthermore, any failure to complete a property development project according to its original specifications or schedule may cause adverse impact on the Group's return on investments and the Group may not achieve the expected return on investment.

In addition, any decreases in property prices or adverse developments in the property market after the acquisition of a parcel of land and prior to the pre-sales or sales of completed property developments on such land could also have an adverse impact on the Group's business, financial condition and results of operations.

The Group may be unable to renew tenancies or re-lease space at rental rates equal to or above the current rental rates or at all for investment and rental properties when tenancies expire and may not receive rent payments in a timely manner

A portion of the Group's turnover from property investment is derived from income from renting properties held as investment properties. Most investment properties are leased on a relatively short term basis (primarily two to three years). Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants, or if existing tenants reduce the amount of space that they occupy, or fail to comply with the terms of their lease or commitment to lease. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or higher than those of the expiring tenancies. Moreover, the Group may be unable to obtain replacement tenants in a timely manner so as to minimise vacancy periods in between tenancies or to obtain rental rates equal to or above the current rental rates for tenancies. Furthermore, if vacant space cannot be leased out for a significant period of time, the market value of the Group's investment and rental properties may be adversely affected. Any such situation may materially and adversely affect the Group's cashflow, business, financial condition and results of operations from property investment.

Potential liability for environmental problems could result in costs to the Group

The Group is subject to various laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as the presence of any adjoining properties. Environmental laws and conditions may result in delays to the Group's property developments, may cause the Group to incur compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The Group's operations are subject to external risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in Hong Kong, the PRC, Malaysia, Singapore and the United Kingdom, which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues.

The Guarantor's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of the Guarantor's subsidiaries

As a holding company, the Guarantor depends and will depend on the receipt of dividends from and the interest and principal payments on intercompany loans or advances to its subsidiaries to satisfy its obligations, including its obligations under the Guarantee. The ability of the Guarantor's subsidiaries to pay dividends to and make payments on intercompany loans or advances from their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments or financing agreements of such companies. There can be no assurance that the Guarantor's subsidiaries will have distributable earnings or will be permitted to distribute their distributable earnings to the Guarantor as they and the Guarantor anticipate, or at all. In addition, dividends payable to the Guarantor by these companies are limited by the percentage of the Guarantor's equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such securities would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries, which could restrict the Guarantor's ability to meet its payment obligations under the Notes.

Furthermore, the Notes will be structurally subordinated to the claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Guarantor's other subsidiaries, and to the secured creditors of the Issuer, the Guarantor and the Guarantor's other subsidiaries. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of any of the Guarantor's subsidiaries, the creditors of such subsidiaries generally will have the right to be paid in full before any distribution is made to the Guarantor.

The Group's controlling shareholders are able to exercise substantial influence over the Group's corporate policies and direct the outcome of corporate actions.

The Cheng Family (as defined in the Terms and Conditions of the Notes) own or control approximately 50.8% of the issued share capital of the Guarantor and are able to exercise substantial influence over the Group's corporate policies, appoint the Group's directors and officers and vote on corporate actions requiring shareholders' approval. The strategic goals and interests of the Group's controlling shareholders may not always be aligned with the Group's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. Likewise, to the extent that the Group benefits from financial and other support provided by its controlling shareholders, no assurance can be given that such support will continue to be available in the future. The interests of the Group's controlling shareholders may differ from those of the holders of the Notes.

Fluctuations in exchange rates may adversely affect the Group's reported financial results

Because of the geographic diversity of the Group's business, a certain portion of the Group's revenue and expenses is denominated in Renminbi, Malaysian Ringgit, Singapore dollars and pounds sterling. The Group's financial statements are presented in Hong Kong dollars. Changes in the value of local currencies can cause fluctuations in the Group's results of operations and could have an adverse effect on its reported financial results.

Risks relating to the Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Terms and Conditions of the Notes may be modified and certain decisions regarding the Notes may be made without the knowledge or consent of individual Noteholders

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Issuer may not be able to redeem the Notes

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with the CMU Service (each of Euroclear, Clearstream, Luxembourg, and the CMU Service, a"***Clearing System***"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the Issuer, or failing which, the Guarantor, will discharge its payment obligations under the Notes by making payments to the relevant Clearing System(s) for distribution to their account holders or in the case of the CMU Service, to the persons for whose account(s) interests in such Global Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the Guarantor in a relevant CMU Instrument Position Report or any other notification by the CMU Service. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Noteholders' remedies under the Notes are capable of exercise only in limited circumstances

Payment of principal and interest thereon in relation to the Notes may be accelerated only if certain circumstances arise or conditions are satisfied. See "*Terms and Conditions of the Notes — Condition 10 (Events of Default)*" for further information.

Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, the British Virgin Islands or Bermuda or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("***LIBOR***"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Risks relating to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "***Specified Currency***"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "***Investor's Currency***") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

United Kingdom referendum to withdraw from the European Union may adversely affect general market conditions

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. It is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history.

The possible exit of the United Kingdom could result in significant macroeconomic deterioration, including a deterioration of the property market in the United Kingdom. In addition, there are increasing concerns that these events could push the United Kingdom, the Eurozone and/or the United States into an economic recession, any of which, were they to occur, would further destabilise the global financial markets. In general, any change in geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets and/or property markets.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons ("***Coupons***") attached, or registered form, without Coupons attached. Bearer Notes and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("***Regulation S***").

Notes to be listed on the Hong Kong Stock Exchange will be accepted for clearance through Euroclear Bank SA/NV ("***Euroclear***") and Clearstream Banking, S.A. ("***Clearstream, Luxembourg***") and may also be accepted for clearance through the CMU Service (each as defined below).

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a "***Temporary Bearer Global Note***") or a permanent bearer global note (a "***Permanent Bearer Global Note***") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "***Common Depositary***") for Euroclear and Clearstream, Luxembourg or (ii) a sub-custodian for the Hong Kong Monetary Authority, as operator of the Central Moneymarkets Unit Service (the "***CMU Service***"). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or Citicorp International Limited (the "***Fiscal Agent***") and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the "***Exchange Date***") which, in respect of each Tranche in respect of which a Temporary Bearer Global Note is issued, will be 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, Coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified.

The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, Coupons and talons attached upon either (i) not less than 60 days' written notice (a), in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Fiscal Agent as described therein and/or (b), in the case of Notes held through the CMU Service, from the relevant account holders therein to the CMU Lodging Agent as described therein; or (ii) only upon the occurrence of an Exchange Event.

No definitive Bearer Notes will be sent by post or otherwise delivered to any location in the United States or its possessions in connection with such exchange.

For these purposes, "***Exchange Event***" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) and/or, (b) in the case of Notes held through the CMU Service, the relevant account holders therein, may give notice to the Fiscal Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Fiscal Agent or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent or, as the case may be, the CMU Lodging Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and Coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or Coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form, without receipts for the payment of instalments of principal ("***Receipts***") or Coupons (a "***Registered Global Note***"). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg or the CMU Service and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will either (i) be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg or (ii) be deposited with a sub-custodian for the HKMA as operator of the CMU Service, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, Coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "***Exchange Event***" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear or Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg, and in the case of Notes held through the CMU Service, the CMU Service, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available, or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through the CMU Service, the relevant account holders therein, may give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging Agent.

Notices

While the Notes are represented by a Global Note and such Global Note is deposited with a common depositary for Euroclear or Clearstream, Luxembourg or CMU Service, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or CMU Service and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 on the date of delivery to Euroclear or Clearstream, Luxembourg or CMU Service.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Fiscal Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note (as defined under "*Terms and Conditions of the Notes*") held on behalf of Euroclear, Clearstream, Luxembourg and/or the CMU Service each person (other than Euroclear, Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "***Noteholder***" and "***holder of Notes***" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Guarantor, the Fiscal Agent and the Registrar.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and the CMU Service on and subject to the terms of the deed of covenant (the "***Deed of Covenant***") dated 6 November 2012 and executed by the Issuer.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

Wing Tai Properties (Finance) Limited

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Wing Tai Properties Limited
under the U.S.$1,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated 7 November 2016. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "***Conditions***") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (together, "***Professional Investors***")) only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Stock Exchange of Hong Kong Limited (the "*Hong Kong Stock Exchange*") has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[Include whichever of the following that is applicable or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1.	(i)	Issuer:	Wing Tai Properties (Finance) Limited
	(ii)	Guarantor:	Wing Tai Properties Limited

2.	(i)	Series Number:	[•••]
	(ii)	Tranche Number:	[•••] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3.		Specified Currency or Currencies:	[•••]
4.		Aggregate Nominal Amount:	
	(i)	Series:	[•••]
	(ii)	Tranche:	[•••]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [*date*]][Not Applicable]
5.	[(i)]	Issue Price:	[•••]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)]*
	[(ii)	Net proceeds:	[•••]*(Required only for listed issues)]* *(Consider including disclosure of commissions, including to private banks)*
	(iii)	Use of Proceeds:	[See "*Use of Proceeds*" wording in the Offering Circular. If the use of proceeds is different from those reasons stated, include those reasons here.]
6.	(a)	Specified Denominations: *(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*	[•••] *(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities and in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)* *(Note — where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")* *(N.B. Where multiple denominations above [U.S.$200,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:*

"[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof up to and including [U.S.$399,000]. No Notes in definitive form will be issued with a denomination above [U.S.$399,000].")

(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [U.S.$200,000]/[€100,000] minimum denomination is not required.)

(b) Calculation Amount *(in relation to calculation of interest in global form see Conditions)*: [•••]

(If only one Specified Denomination, insert the Specified Denomination.

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. [(i)] Issue Date [and Interest Commencement Date]: [•••]

[(ii) Interest Commencement Date (if different from the Issue Date): [specify/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [*Fixed rate -specify date/Floating rate-* Interest Payment Date falling in or nearest to [*specify month*]]*

9. Interest Basis:
[[•••]% Fixed Rate]
[[LIBOR/EURIBOR/HIBOR] +/- [•••]% Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest] [*specify other*]
(further particulars specified below)

10. Redemption/Payment Basis:
[Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[*specify other*]

* Note that for Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

11.	Change of Interest Basis or Redemption/Payment Basis:	[Applicable/Not Applicable] *[If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12.	Put/Call Options:	[Investor Put] [Change of Control Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:	[Hong Kong/*specify other/*None]**
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate(s) of Interest:	[•••]% per annum [payable [annually/semi. annually/quarterly] in arrear] *(If payable other than annually, consider amending [Condition 5].)*
	(ii) Interest Payment Date(s):	[[•••] in each year up to and including the Maturity Date]/[specify other]*** *(NB: This will need to be amended in the case of long or short coupons)*
	(iii) Fixed Coupon Amount(s) for Notes in Definitive Form *(and in relation to Notes in global form see Conditions):*	[•••] per Calculation Amount****

** If Listing in Hong Kong, specify expected listing date.

*** Note that for certain Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "***Business Day***" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [•••].".

**** For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following wording is appropriate: "Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 5(a)(i)) divided by 365 and rounding the resultant figure to the nearest HK$0.01, HK$0.005 being rounded upwards.".

	(iv)	Broken Amount(s) for Notes in Definitive Form *(and in relation to Notes in global form see Conditions):*	[•••] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•••]. *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
	(v)	Day Count Fraction:	[Actual/Actual (ICMA) 30/360 Actual/365 (Fixed) *Other*]
	(vi)	Determination Date[s]:	[•••] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in case of a long or short first or last coupon]* *(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	[(vii)]	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[•••]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(iii)	Additional Business Centre(s):	[•••]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ ISDA Determination/*specify other*]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[•••]

(vi)	Screen Rate Determination:	
	— Reference Rate and Relevant Financial Centre:	Reference Rate: [•••] [LIBOR/EURIBOR/HIBOR/*specify other Reference Rate*] Relevant Financial Centre: [London/Brussels/*specify other Relevant Financial Centre*]
	— Interest Determination Date(s):	[•••] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	— Relevant Screen Page:	[•••] *(In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(vii)	ISDA Determination:	
	— Floating Rate Option:	[•••]
	— Designated Maturity:	[•••]
	— Reset Date:	[•••] *(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
(viii)	Margin(s):	[+/-] [•••]% per annum
(ix)	Minimum Rate of Interest:	[•••]% per annum
(x)	Maximum Rate of Interest:	[•••]% per annum
(xi)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 5 for alternatives*)
(xii)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•••]

17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Accrual Yield:	[•••]% per annum
	(ii) Reference Price:	[•••]
	(iii) Any other formula/basis of determining amount payable:	[•••] *(Consider applicable day count fraction if not U.S. dollar denominated)*
	(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365] [*specify other*]
18.	Index Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula:	[give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[•••]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•••]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[•••]
	(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*]
	(vi) Additional Business Centre(s):	[•••]
	(vii) Minimum Rate of Interest:	[•••]% per annum
	(viii) Maximum Rate of Interest:	[•••]% per annum
	(ix) Day Count Fraction:	[•••]

19.	Dual Currency Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[give or annex details]
(ii)	Calculation Agent, if any, responsible for calculating the interest payable:	[•••]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•••]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•••]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Optional Redemption Date(s):	[•••]
(ii)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[•••] per Calculation Amount/*specify other*/see Appendix]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[•••]
	(b) Maximum Redemption Amount:	[•••]
(iv)	Notice period:	Minimum period: [•••] days Maximum period: [•••] days *(N.B. The Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' (being for this purpose a day on which the clearing systems are open for business) notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

21.	Investor Put	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•••]
	(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[•••] per Calculation Amount/*specify other*/see Appendix]
	(iii) Notice period:	Minimum period: [•••] days Maximum period: [•••] days *(N.B. The Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' (being for this purpose a day on which the clearing systems are open for business) notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*
22.	Change of Control Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Change of Control Redemption Amount:	[[•••] per Calculation Amount/*specify other*/see Appendix]
	(ii) Notice periods:	Minimum period: [•••] days Maximum period: [•••] days *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' (being for this purpose a day on which the clearing systems are open for business) notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
23.	Final Redemption Amount:	[[•••] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.7):	[[•••] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]***** [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]***** [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]***** [Registered Notes: Registered Global Note (U.S.$[•••] nominal amount) registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg/held through the CMU Service (*specify nominal amounts*)]
26.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] *Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vi) relate)*
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. NB: new forms of Global Note may be required for Partly Paid issues.*]
29.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
30.	Other terms or special conditions:	[Not Applicable/*give details*]

***** (Ensure that this is consistent with the language in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: [U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof up to and including [U.S.$399,000].)

DISTRIBUTION

31.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of relevant Dealer:	[•••]
33.	U.S. selling restrictions:	Regulation S Category 1; [TEFRA D/TEFRA C/TEFRA not applicable]
34.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

35.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
36.	Delivery:	Delivery [against/free of] payment
37.	In the case of Registered Notes, specify the location of the office of the Registrar if other than London:	[Not Applicable]
38.	Additional Paying Agent(s) (if any):	[•••]

ISIN: [•••]

Common Code: [•••]

(insert here any other relevant codes such as a CMU instrument number)

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Medium Term Note Programme of Wing Tai Properties (Finance) Limited.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:	Signed on behalf of the Guarantor:
By: ______________________________	By: ______________________________
Duly authorised	*Duly authorised*

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trading on any stock exchange) or 16, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Pricing Supplement" for a description of the contents of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Wing Tai Properties (Finance) Limited (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the **Specified Currency**;

(b) any Global Note in bearer form (each a **Bearer Global Note**);

(c) any Global Note in registered form (each a **Registered Global Note**);

(d) any definitive Notes in bearer form (**Definitive Bearer Notes**, together with the Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and

(e) any definitive Notes in registered form (**Definitive Registered Notes**, together with the Registered Global Notes, the **Registered Notes**) (whether or not issued in exchange for a Registered Global Note).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 6 November 2012 and made between the Issuer, Wing Tai Properties Limited (the **Guarantor**), Citicorp International Limited as issuing and fiscal agent (the **Fiscal Agent**, which expression shall include any successor fiscal agent), Citicorp International Limited as CMU lodging agent (the **CMU Lodging Agent**, which expression shall include any successor CMU lodging agent) and the other paying agents named therein (the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions (the **Conditions**), all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

Interest bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplements these **Conditions** and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a guarantee (the **Guarantee**) dated 6 November 2012 and executed by the Guarantor. The original of the Guarantee is held by the Fiscal Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as amended and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 6 November 2012 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar, the other Paying Agents and Transfer Agents (such Paying Agents and the Registrar being together referred to as **Agents**). Copies of the applicable Pricing Supplement are available for viewing during normal business hours at the specified office of the Issuer and of the Fiscal Agent and copies may be obtained from those offices save that, if this Note is neither listed nor admitted to trading, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (**Specified Denomination(s)**) specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/ Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to Definitive Bearer Notes, Receipts and Coupons will pass by delivery and title to Definitive Registered Notes will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and the Agents will (except as otherwise required by law) deem and treat the bearer of any Definitive Bearer Note, Receipt or Coupon and the registered holder of any Definitive Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes, but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./ N.V. (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**) and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), each person (other than Euroclear or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder and holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (**CMU Accountholders**) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg and the CMU Service, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor and the Fiscal Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Registered Notes or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear, Clearstream, Luxembourg or the CMU Service shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear, Clearstream, Luxembourg or the CMU Service or to a successor of Euroclear, Clearstream, Luxembourg or the CMU Service or such successor's nominee.

2.2 Transfers of Definitive Registered Notes

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note and (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6.4).

2.6 Exchanges and transfers of Definitive Registered Notes generally

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. STATUS OF THE NOTES AND THE GUARANTEE

3.1 Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3.2 Status of the Guarantee

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Notes has been unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee. The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

4. NEGATIVE PLEDGE

So long as any of the Notes and the relative Receipts or Coupons remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor will, and the Guarantor will procure that none of its Subsidiaries (as defined below) will, create or permit to be outstanding, any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) (excluding any Permitted Security Interest (as defined below)), upon, or with respect to, any of its present or future business, undertaking, properties, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer or the Guarantor (as the case may be), in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes, the Receipts and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement).

For the purposes of these Conditions:

(a) **Permitted Security Interest** means (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Subsidiary as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and (ii) any existing Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Subsidiary subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets.

(b) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of, or represented by, any notes, bonds, debentures, debenture stock, loan stock or other securities which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity of any such indebtedness.

(c) **Subsidiary** means, in relation to the Issuer or the Guarantor, any company (i) in which the Issuer or as the case may be, the Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, the Guarantor is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer or as the case may be, the Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or, as the case may be, the Guarantor or (iv) which at any time has its accounts consolidated with those of the Issuer or, as the case may be, the Guarantor or which, under the applicable law, regulations or generally accepted accounting principles of the Issuer or, as the case may be, the Guarantor, should have its accounts consolidated with those of the Issuer or, as the case may be, the Guarantor.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(c) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an Interest Payment Date) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii)) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the applicable Pricing Supplement;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Finance Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Fiscal Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Fiscal Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Fiscal Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M_1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M_2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D_1” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

“D_2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y_1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y_2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M_1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M_2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D_1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

“D_2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y_1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y_2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed by no later than the first day of each Interest Period and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Hong Kong Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **Hong Kong Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Hong Kong.

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

6.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes not held in the CMU Service will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes not held in the CMU Service, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive

Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in the CMU Service (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held in the CMU Service becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. **A Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of Definitive Bearer Notes held in the CMU Service, payment will be made to the person(s) for whose account(s) interests in the relevant Definitive Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note (i) in the case of a Bearer Global Note lodged with the CMU Service, to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held by the CMU Service in accordance with the CMU Rules, or (ii) in the case of a Bearer Global Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Bearer Global Note not lodged with the CMU Service) on such Bearer Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Bearer Global Note by the CMU Lodging Agent, and in each such case, such record shall be prima facie evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business and, in respect of Notes clearing through the CMU Service, a day on which CMU Services is open for business) before the relevant due date and (ii) where in definitive form at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note. In the case of Definitive Registered Note or Registered Global Note held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligations of the Issuer or, as the case may be, the Guarantor, in respect of that payment.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU Service) or (if the Global Note is lodged with the CMU Service) the person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error), shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or the CMU Lodging Agent, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

    (i) in the case of Notes in definitive form only, the relevant place of presentation;

    (ii) Hong Kong; and

    (iii) each Additional Business Centre (other than TARGET2 System) specified in the applicable Pricing Supplement;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and

(c) (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.7); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

Subject to Condition 7.7. the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than the minimum period more than the maximum period of notice specified in the applicable Pricing Supplement to the Fiscal Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such Additional Amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer or, as the case may be, the Guarantor is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment; and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the

Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or the CMU Service (as appropriate), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer, in accordance with Condition 14, not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

7.5 Redemption for Change of Control

Upon the occurrence of a Change of Control (as defined below), the holder of each Note will have the right (unless prior to the giving of the relevant Put Event Notice (as defined below), the Issuer has given notice of redemption under Condition 7.2 or 7.3 above), at such holder’s option, exercisable during the Change of Control Put Period (as defined below) by giving to the Issuer a notice (which notice shall be irrevocable save as provided in Condition 7.6) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of), all, but not some only, of such holder’s Notes on the Put Date (as defined below) at the Change of Control Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement, together with accrued interest up to, but excluding the Put Date. Such option shall operate as set out below and in Condition 7.6.

The Issuer shall promptly give notice to Noteholders and the Fiscal Agent in accordance with Condition 14 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 7.5 (a **Put Event Notice**).

For the purposes of this Condition 7.5:

a **Change of Control** occurs when:

(a) other than the Cheng Family or any of its affiliates, any Person or Persons, acting together, acquires Control of the Guarantor; or

(b) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in any Person or Persons (other than the Cheng Family or any of its affiliates) acquiring Control over the Guarantor or the successor entity;

Change of Control Put Period means a period of 60 days following a Change of Control, or, if a Put Event Notice is given, a period of 60 days following the date upon which such notice is given;

Cheng Family means the late Mr. Cheng Yik Hung and/or his issue and/or any of their executors or administrators and/or companies which are controlled by them or any of them and/or any trust in which Mr. Cheng Yik Hung and/or his issue and/or companies controlled by them or any of them are beneficiaries and/or interests associated with any or some of them;

Control means (i) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms **Controlling** and **Controlled** shall have meanings correlative to the foregoing;

Put Date means the seventh day after the expiry of the Change of Control Put Period; and

a **Person**, as used in this Condition 7.5, includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity).

7.6 Put Notices

To exercise the right to require redemption of this Note pursuant to Condition 7.4 or 7.5, the holder of this Note must, if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and the CMU Service, deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar on any Business Day (as defined in Condition 5) falling within the notice period (in the case of Condition 7.4) or Change of Control Put Period (in the case of Condition 7.5), accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Note pursuant to Condition 7.4 or 7.5, the holder of this Note must, within the notice period (in the case of Condition 7.4) or Change of Control Put Period (in the case of Condition 7.5), give notice to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and the CMU Service (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary, as the case may be, for them to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means or notice being given to the CMU Lodging Agent) in a form acceptable to Euroclear, Clearstream, Luxembourg, the CMU Service and the CMU Lodging Agent from time to time and, if this Note is represented by a Global Note held through Euroclear or Clearstream, Luxembourg, at the same time present or procure the presentation of the relevant Global Note to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for notation accordingly. If this Note is represented by a Global Note held through the CMU Service, such notation will be made on withdrawal of such Global Note by the CMU Lodging Agent.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the CMU Service given by a holder of any Note pursuant to Condition 7.4 or 7.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 or 7.5 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.7 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1+AY)^{y}$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.8 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.7 above.

7.9 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.10 Purchases

The Issuer, the Guarantor or any Subsidiaries of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to any Paying Agent and/or the Registrar for cancellation.

7.11 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.10 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

7.12 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2, 7.3, 7.4 or 7.5 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any Tax Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6); or

(c) by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

As used in these Conditions:

(i) **Tax Jurisdiction** means any jurisdiction (including the British Virgin Islands, Bermuda and Hong Kong) or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes; and

(ii) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to any Note:

(a) if the Issuer fails to pay in the Specified Currency any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of a notice of such default; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any Subsidiary becomes, or becomes capable of being declared, due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) default is made by the Issuer, the Guarantor or any Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iii) above which have occurred and are continuing, amount to at least U.S.$30,000,000 (or its equivalent in any other currency); or

(d) one or more judgment(s) or order(s) is rendered against the whole or a substantial part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary and such possession or appointment continues for a period of 30 days after the date thereof; or

(f) if (i) the Issuer, the Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, receiver, liquidator or similar official of the Issuer, the Guarantor or any Principal Subsidiary is appointed (or application for any such appointment is made) with respect to the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary, or (iii) the Issuer, the Guarantor or any Principal Subsidiary takes any action for a general readjustment or deferment of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or guarantees of any indebtedness given by it; or

(g) if an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any Principal Subsidiary, (otherwise than, in the case of a direct or indirect Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, provided that all or substantially all of the assets subsisting immediately prior to such amalgamation, reorganisation or restructuring of such Subsidiary are transferred to or otherwise vested in the Guarantor or one or more of its other Subsidiaries) or the Issuer, the Guarantor or any Principal Subsidiary ceases or (through an official action of its Board of Directors) threatens to cease to carry on all or a substantial part of its business (otherwise than, in the case of a direct or indirect Subsidiary of the Guarantor, for the purposes of or pursuant to (x) an amalgamation, reorganisation or restructuring whilst solvent provided that all or substantially all of the assets subsisting immediately prior to such amalgamation, reorganisation or restructuring of such Subsidiary are transferred to or otherwise vested in the Guarantor or one or more of its other Subsidiaries or (y) as a result of disposal on arm's length terms or (z) as approved by an Extraordinary Resolution of the Noteholders); or

(h) if the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect;

(i) if the Issuer ceases to be wholly owned and controlled, directly or indirectly, by the Guarantor; or

(j) if any event occurs which, under the laws of any Relevant Jurisdiction, has an analogous effect to any of the events referred to in subparagraphs (d) to (g) above,

then any holder of a Note may, by written notice given to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

As used in these Conditions:

Indebtedness for Borrowed Money means any indebtedness for or in respect of money borrowed or raised (including obligations under finance leases) evidenced by any agreement or other instrument, excluding trade credit and trade payables entered into in the ordinary course of business; provided, for the purposes of determining the amount of Indebtedness for Borrowed Money outstanding at any relevant time, the amount included as Indebtedness for Borrowed Money in respect of finance leases shall be the net amount from time to time properly characterised as "obligations under finance leases" in accordance with generally accepted accounting principles and practices in Hong Kong; and

Principal Subsidiary means any Subsidiary of the Guarantor:

(i) whose profits from ordinary activities before taxation (**pre-tax profit**) or (in the case of a Subsidiary which itself has subsidiaries) consolidated pre-tax profit, as shown by its latest audited income statements are at least 5 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(ii) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries as being represented by the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(iii) whose net income or (in the case of a Subsidiary which itself has subsidiaries) consolidated net income, as shown by its latest audited income statements are at least 5 per cent. of the consolidated net income as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of income of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

provided that, in relation to paragraphs (i), (ii) and (iii) above:

(A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has subsidiaries no consolidated accounts are prepared and audited, gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor, which are reviewed by its auditors;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor, which are reviewed by its auditors;

(D) if the then latest audited consolidated accounts of the Guarantor and its Subsidiaries show (x) a net loss for the relevant financial period then there shall be substituted for the words "pre-tax profit" the words "gross revenues" for the purposes of this definition and/or (y) a net loss for the relevant financial period then there shall be substituted for the words "net income" the words "gross revenues" for the purposes of this definition; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) and (iii) above; or

(v) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, generate pre-tax profit equal to) not less than 5 per cent. of the consolidated pre-tax profit of the Guarantor and its Subsidiaries, or represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, or generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, generate net income equal to) not less than 5 per cent. of the consolidated net income of the Guarantor and its Subsidiaries, all as calculated as referred to in paragraphs (i), (ii) and (iii) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate pre-tax profit equal to) not less than 5 per cent. of the consolidated pre-tax profit of the Guarantor and its Subsidiaries, or its gross assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, or generate (or, in the case aforesaid, generate net income equal to) not less than 5 per cent. of the consolidated net income of the Guarantor and its Subsidiaries, all as calculated as referred to in paragraphs (i), (ii) and (iii) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this paragraph (v) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraphs (i), (ii) and (iii) or, prior to or after such date, by virtue of any other applicable provision of this definition.

A certificate by two of the directors of the Guarantor that in their opinion (based on the provisions of paragraphs (i), (ii), (iii), (iv) and (v) above) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Noteholders, Receiptholders and the Couponholders. The certificate would, if requested by any holder of the Notes, be accompanied, or, if the request is made subsequent to the issue of a certificate, reissued and accompanied, by a report by an internationally recognised firm of accountants addressed to the directors of the Guarantor as to proper extraction of the figures used by the Guarantor in determining the Principal Subsidiaries of the Guarantor and mathematical accuracy of the calculation.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or the Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Fiscal Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Registrar and Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor, in certain circumstances specified therein, and do not assume any obligation to, or relationship of agency with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong by the Issuer or the Guarantor. It is expected that such publication will be made in the *South China Morning Post* in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and (b) if and for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes or (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note and, in addition, in the case of both (i) and (ii) above, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Pricing Supplement after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Fiscal Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATIONS

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Guarantee or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Guarantee (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons or amending the Deed of Covenant or the Guarantee in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders. In addition, a resolution in writing signed by or on behalf of Noteholders of not less than 90 per cent. of the aggregate nominal amount outstanding will take effect as if it were a duly passed Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

15.2 Modifications

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of the Notes, the Receipts, the Coupons, the Guarantee, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer shall be at liberty, from time to time, without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes (or the same in all respects save for the amount and date of the first payment of interest thereon) and so that the same shall be consolidated and form a single Series with the outstanding Notes).

17. CURRENCY INDEMNITY

The currency in which the Notes are denominated or, if different, payable, as specified in the applicable Pricing Supplement (the **Contractual Currency**), is the sole currency of account and payment for all sums payable by the Issuer and/or the Guarantor in respect of the Notes, the Receipts, the Coupons and the Deed of Covenant, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer and/or the Guarantor shall only constitute a discharge to the Issuer and/or the Guarantor to the extent of the amount in the Contractual Currency which such Noteholder, Receiptholder or Couponholder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Noteholder, Receiptholder or Couponholder in respect of such Note, Receipt or Coupon, the Issuer and/or the Guarantor shall indemnify such Noteholder, Receiptholder or Couponholder against any loss sustained by such Noteholder, Receiptholder or Couponholder as a result. In any event, the Issuer and/or the Guarantor shall indemnify each such Noteholder, Receiptholder or Couponholder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and/or the Guarantor, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgement or order. Any reference in the Conditions to principal and/or interest will be deemed to include any amount which may be payable under the indemnity in this Condition.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW

19.1 Governing law

The Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons and/or the Guarantee and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as Proceedings) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

Each of the Issuer and the Guarantor irrevocably appoints Unimix (Europe) Limited of 1 Savile Row, London, W1S 3JR, United Kingdom as its agent for service of process in any Proceedings in England. If for any reason the Issuer or the Guarantor, as the case may be, does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for on-lending to the Group for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF WING TAI PROPERTIES (FINANCE) LIMITED

History

The Issuer was incorporated in the BVI as a BVI Business Company under the BVI Business Companies Act, 2004 (as amended) on 6 June 2012 and was registered as a non-Hong Kong company under Part XVI of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) on 31 July 2014. The registered office of the Issuer is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Guarantor and has no subsidiaries.

Business activity

The Issuer was established for the sole purpose of issuing the Notes under the Programme and on-lending the proceeds to members of the Group. The Issuer has not engaged, since its incorporation, in any material activities other than those relating to the issue of the Notes under the Programme and the on-lending of the proceeds thereof to members of the Group, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

Directors and officers

The directors of the Issuer as at the date of this Offering Circular are Ng Kar Wai, Kenneth and Fung Ching Man, Janet. Chung Siu Wah, Henry is the alternate director to both of Ng Kar Wai, Kenneth and Fung Ching Man, Janet.

Ng Kar Wai, Kenneth is also a director of the Guarantor. The business address of the directors of the Issuer is 27th Floor, AIA Kowloon Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

The Issuer has no employees.

Share capital

Under the Issuer's memorandum of association, the Issuer's authorised shares comprise 50,000 shares of a single class each with a par value of U.S.$1.00. One share has been issued to and is held by Wing Tai Properties (B.V.I.) Limited ("***WTPBVI***"), a wholly-owned subsidiary of the Guarantor. The register of members of the Issuer is maintained at its registered office in the BVI. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

The following table sets out the outstanding debt securities of the Issuer (all of which are non-listed except for the Notes marked with an asterisk * below, which are listed on the Singapore Stock Exchange) as at the date of this Offering Circular together with the coupon amount and year of maturity. As at the date of this Offering Circular, the Issuer has no outstanding debt securities other than the debt securities listed below.

Description and principal amount of debt	Coupon amount	Year of maturity
S$170,000,000 Notes*	4.25% per annum	2022
HK$480,000,000 Notes	3.95% per annum	2023
HK$100,000,000 Notes	3.80% per annum	2023
HK$100,000,000 Notes	4.30% per annum	2021
HK$100,000,000 Notes	4.10% per annum	2021
HK$100,000,000 Notes	4.50% per annum	2024

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER AND THE GROUP

Capitalisation and indebtedness of the Issuer

As at 6 June 2012, being the date of its incorporation, the Issuer was authorised to issue a maximum of 50,000 shares with a par value of U.S.$1.00 each, of which one share has been issued to and fully paid by WTPBVI. The Issuer has no shareholder other than WTPBVI.

The following table sets out the capitalisation and indebtedness of the Issuer as at 30 June 2016.

	As at 30 June 2016
	HK$ million
	(Unaudited)
Long-term borrowings	
Fixed rate bonds	1,847.6
Equity	
Share capital	–
Reserves	(148.6)
Total equity	(148.6)
Total capitalisation [1]	1,699.0

Note:

(1) Total capitalisation equals the sum of total borrowings and total equity.

Capitalisation and indebtedness of the Group

As at 30 June 2016, the authorised share capital of the Guarantor was HK$1,000 million divided into 2,000,000,000 ordinary shares with a par value of HK$0.50 each and its issued share capital was HK$671,738,139.50 consisting of 1,343,476,279 ordinary shares of HK$0.50 each.

The following table sets out the consolidated capitalisation and indebtedness of the Group as at 30 June 2016 which has been extracted from the unaudited condensed consolidated interim financial information of the Guarantor as at the same date. The table should be read in conjunction with the unaudited condensed consolidated interim financial information of the Guarantor as at 30 June 2016 and the notes thereto.

	As at 30 June 2016
	HK$ million
	(Unaudited)
Short-term borrowings	
Secured bank loans	492.4
Long-term borrowings	
Secured bank loans	1,585.4
Fixed rate bonds	1,847.6
	3,433.0
Total borrowings	3,925.4
Equity	
Share capital	671.7
Reserves	22,904.9
Non-controlling interests	1.0
Total equity	23,577.6
Total capitalisation [1]	27,503.0

Note:

(1) Total capitalisation equals the sum of total borrowings and total equity.

There has been no material change in the capitalisation and indebtedness of the Group since 30 June 2016.

DESCRIPTION OF THE GROUP

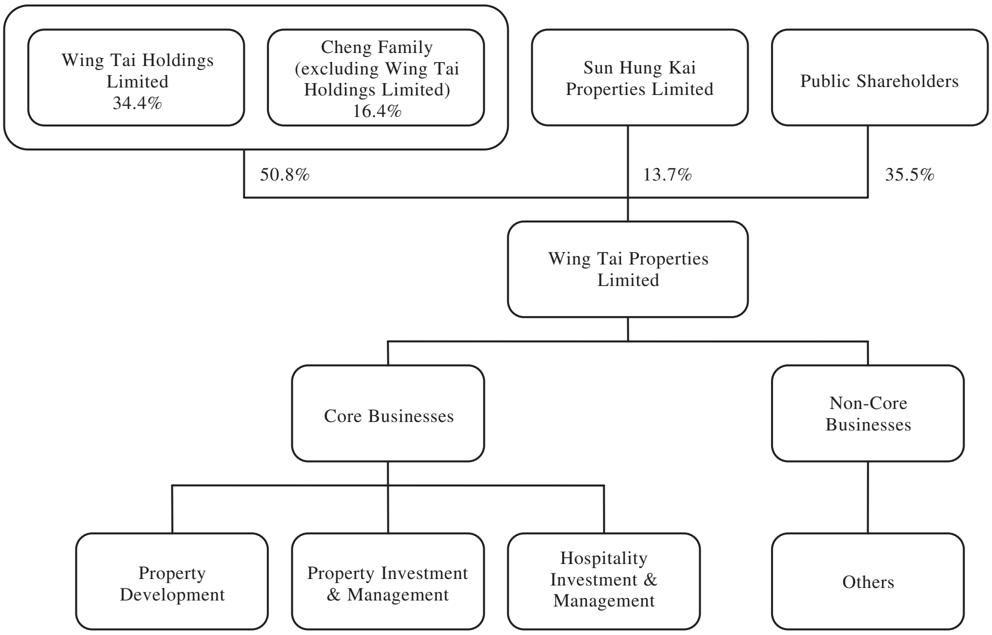
Overview

History and organisation

The Guarantor, Wing Tai Properties Limited (formerly known as USI Holdings Limited), was incorporated in Bermuda as an exempted company under the Companies Act, 1981 and its shares were listed on the Hong Kong Stock Exchange (stock code: 369) in November 1991. The Guarantor's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Guarantor is an investment holding company and its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management.

A chart showing the shareholder groups of the Guarantor and the business segments of the Group as at 30 September 2016 is set out below.



The Wing Tai group, of which Wing Tai Holdings Limited is an important member and the Cheng Family is a substantial shareholder, had its beginnings as a Hong Kong garment factory in 1955. Wing Tai Holdings Limited is a company listed on the Singapore Stock Exchange and is one of Singapore's leading property developers and lifestyle companies.

Over the years the Group has shifted its business focus from garment-related businesses to the property business and has accumulated almost 20 years' experience in the latter. Over the last few years, the Group has undertaken various strategic initiatives to streamline its corporate structure and to transform itself into a dynamic and diversified property group focusing on property development, property investment and management and hospitality investment and management. These initiatives include:

- In 2007 — the completion of an offer made by the Guarantor for shares in Winsor Properties Holdings Limited ("***Winsor***"), which resulted in the Guarantor holding 79.26% of the shares in Winsor, which held a sizeable portfolio of quality commercial and industrial investment properties;

- In 2010 — the change of the Guarantor's name from USI Holdings Limited to Wing Tai Properties Limited to reflect the Group's focus on the property business;

- In April 2012 — the disposal of the Gieves & Hawkes group by the Guarantor as part of the Group's efforts to divest certain non-core businesses;

- In 2012 — the series of transactions undertaken by the Group which involved (among other things) the completion of a group reorganisation of Winsor, a distribution in specie and payment of a special cash dividend by Winsor and the disposal of the Guarantor's entire interest in the reorganised Winsor, and the Group's offer to acquire the independent shareholders' interests in the distributed asset group; and

- In October 2013 — the cessation of the garment manufacturing operations.

Business segments

The core business segments of the Group consist of property development, property investment and management and hospitality investment and management. The Group operates under the brand "WingTai Asia" (which is licensed from Wing Tai Holdings Limited) for its property development business, and the brand "Lanson Place" (which is owned by the Guarantor) for its hospitality management business.

As at 30 September 2016, the Group had a total land bank of approximately 3,410,000 square feet in terms of gross floor area/saleable area, with the majority (by dollar value and square feet) situated in various locations in Hong Kong with easy transportation accessibility. The land bank comprises a portfolio of residential and investment properties, with approximately 890,000 square feet in terms of gross floor area/saleable area (representing 26%) in residential property which are intended for sale (which include unsold units, pre-sold units the revenue for which has not yet been recognised and units under development); and approximately 2,520,000 square feet in terms of gross floor area (representing 74%) in Grade A commercial, retail and industrial properties and luxury boutique hotel and serviced residences which are intended for long term investment and generation of recurring income and cash flow.

The value of the total assets of the Group as at 31 December 2015 was HK$28,220.9 million. For the year ended 31 December 2015, the total revenue and profit before taxation of the Group's operations (excluding change in fair value of investment properties and financial instruments) were HK$1,009.2 million and HK$477.6 million, respectively. For the six months ended 30 June 2016, the total revenue and profit before taxation of the Group's operations (excluding change in fair value of investment properties and financial instruments) were HK$468.0 million and HK$196.0 million, respectively.

Overall strategies

The Group's strategy is to continue to enhance its integrated property and hospitality platform, focusing on the premium and luxury market primarily in Hong Kong and strategically in key gateway cities. The Group will seek to continue strengthening its residential property development pipeline and investing in investment and hospitality assets to its balanced asset portfolio with a view to achieving a strong and stable recurring income and cash flows.

The Group will continue to seek appropriate opportunities to replenish its land bank and acquire quality assets. The Group seeks to create value and enhance investment return by:

- operating under "WingTai Asia" and "Lanson Place" brands, which are recognised by customers and property owners in Asia;

- co-operating with suitable strategic partners including major property developers in Hong Kong and Asia, as well as reputable property fund investors;

- investing in development projects where the Group can add value by seeking to deliver high quality products with sophisticated designs and planning, quality craftsmanship, superior execution, innovative marketing campaigns and timely sales launch;

- investing in investment and hospitality properties where the Group can add value by seeking to deliver quality products, well-planned market positioning, optimising leasing strategy for quality tenant mix and providing a premium standard of management services and regular asset enhancement programmes;

- growing a hospitality management service network in first-tier cities in Asia; and

- generating rental income through the acquisition and holding of quality investment properties.

As part of its overall operating strategy, the Group adopts a prudent financial management policy and closely monitors its gearing, debt servicing and the maturity profile of its borrowings to maintain a healthy financial profile with sufficient liquidity.

Share capital and profits attributable to equity holders of the Guarantor

As at 30 June 2016, the Guarantor had an authorised share capital of HK$1,000 million divided into 2,000,000,000 ordinary shares of HK$0.50 each and an issued share capital of HK$671,738,139.50, consisting of 1,343,476,279 ordinary shares of HK$0.50 each.

For the six months ended 30 June 2016, the Group's unaudited consolidated profit attributable to equity holders of the Guarantor from continuing operations was approximately HK$300.2 million. For the year ended 31 December 2014, the Group's consolidated profit attributable to equity holders of the Guarantor from continuing operations was approximately HK$1,943.6 million. For the year ended 31 December 2015, the Group's consolidated profit attributable to equity holders of the Guarantor from continuing operations was approximately HK$1,099.1 million.

Property business

Property development

The Group commenced residential property development activities in 1996. Since then, it has participated in various high-end residential developments with an aggregate gross floor area of approximately 7,038,000 square feet, of which 5,815,000 square feet has been completed and 1,223,000 square feet is currently under development. The Group's first residential development project was The Waterfront, a premium residential property located above Kowloon Station, for which pre-sale was launched in 1999. The Group acted as lead project manager and lead sales and marketing manager in this project.

The Group has, since 1996, worked to position itself, under the WingTai Asia brand, as a reputable developer of premium and niche property developments with a focus on the design of inspirational products, quality craftsmanship and excellent standards of customer service.

Property developments undertaken by the Group are co-ordinated and supervised by its professional project management team consisting of architects, building and quantity surveyors and site staff. The Group's project managers, together with finance and marketing professionals, are involved in all relevant stages of the development cycle from pre-land acquisition, formulation of the design and construction programme, costs management and quality control.

The Group uses independent third-party contractors to construct its developments. Competitive tenders are sought for each construction contract.

The value of the total assets of the property development segment of the Group as at 31 December 2015 was HK$3,446.2 million. For the year ended 31 December 2015, the total revenue and profit before taxation in this segment were HK$149.2 million and HK$44.2 million, respectively. For the six months ended 30 June 2016, the total revenue and loss before taxation of this segment were HK$26.4 million and HK$31.6 million, respectively.

Completed developments

The following table sets out the residential property development projects completed by the Group since the commencement of its first residential project, The Waterfront, in 1996. Apart from (i) Belle Vue Residences, Singapore, and (ii) Providence Bay, Providence Peak and The Graces (which together form the three phases of one development), the Group acted as lead project manager and lead sales and marketing manager for these projects.

Project	Location	Group's interest as at year of completion[*]	Year of completion	Aggregate gross floor area (except as otherwise specified) (ft^2)	Units unsold as at 30 June 2016
漾日居 the waterfront	1 Austin Road, Kowloon	7.5%	2000	1,685,000	—
The Hillgrove	9 Tsing Fat Lane, Tuen Mun	33.3%	2002	264,000	—
陶源 The Bloomsville	51 Nga Tsin Wai Road, Kowloon	87.5%	2002	80,000	—
The Giverny	Man Kei Toi, Pak Sha Wan, Sai Kung	50%	2005	184,000	—
The Grandville	2 Lok Kwai Path, Shatin	41.5%[+]	2006	492,000	—
Forfar	2 Forfar Road, Kowloon	95.9%[+]	2010	107,000	—
Seymour	9 Seymour Road, Mid-Levels	30%	2011	173,000[#1]	—
Belle Vue	15-33 Oxley Walk, Singapore	23.8%[+]	2010	434,000	—
Providence Bay	5 Fo Chun Road, Tai Po	15%	2012	843,000	64
Providence Peak	8 Fo Chun Road, Tai Po	15%	2012	897,000	35
The Graces 海鑽	9 Fo Chun Road, Tai Po	15%	2012	389,000[#2]	8
The Warren	9 Warren Street, Causeway Bay	100%	2014	74,000[#3]	10
The Pierre	1 Coronation Terrace, Mid-Levels West	100%	2014	40,000	4
homantin hillside	8 Wai Yin Path, Hung Hom	50%	2016	153,000[#4]	79
			Total:	**5,815,000**	**200**

* Including the Group's proportionate interest in the relevant property held through Winsor as at the completion of the relevant project (i.e. having discounted the interest in Winsor not held by the Group as at completion of the relevant project).

+ Properties in which Winsor had an interest as at its completion of the relevant project.

#1 Equivalent to the aggregate saleable area of approximately 129,000 square feet which was disclosed in the sales brochure dated 17 June 2013.

#2 Equivalent to the aggregate saleable area of approximately 298,000 square feet which was disclosed in the sales brochure dated 9 September 2013.

#3 Equivalent to the aggregate saleable area of approximately 52,000 square feet which was disclosed in the sales brochure dated 6 August 2013.

#4 Equivalent to the aggregate saleable area of approximately 128,000 square feet which was disclosed in the sales brochure dated 13 November 2014.

Properties under development

As at 30 September 2016, the Group had (on an attributable basis and in terms of gross floor area) approximately 890,000 square feet of land bank for residential development (which include unsold units, pre-sold units the revenue for which has not yet been recognised and units under development), all of which were located in Hong Kong.

The following table sets out the residential property development projects of the Group under development as at 30 September 2016. These projects are expected to be completed between 2017 to 2022 which would allow for the revenue and earnings generated by these projects to be recognised during that period.

Project	Group's interest	Estimated pre-sale	Expected completion	Aggregate gross floor area (except as otherwise specified) (ft^2)	Group's attributable gross floor area (ft^2)
Kau To STTL 567, Area 56A Kau To, Sha Tin	35%	2016/2017	2017	318,000	111,300
Kau To STTL 565 Area 56A Kau To, Sha Tin	35%	2016/2017	2017	142,000	49,700
Shau Kei Wan SKWIL 854 Junction of Oi Kan Road and Oi Tak Street, Shau Kei Wan	100%	2016/2017	2018	46,000	46,000
Siu Sau TMTL 435 Castle Peak Road, Tuen Mun	100%	2017/2018	2019	159,000	159,000
So Kwun Wat TMTL 497, Area 56 So Kwun Wat Road, Tuen Mun	100%	2020/2021	2021	264,000	264,000
Tai Lam, TMTL 523 Castle Peak Road, Tuen Mun	70%	2021/2022	2022	294,000	205,800
			Total:	**1,223,000**	**835,800**

Kau To Area 56A

The Group has two residential projects in Kau To Area 56A which were acquired in August 2012 and January 2013 through government tenders by a joint venture established between the Group, Manhattan Development Limited and other private investors in which the Group has a 35% interest. The two sites are located at Sha Tin Town Lot No. 567 and Sha Tin Town Lot No. 565 in Area 56A at Kau To, Sha Tin. The two sites are opposite each other and comprise a site area and maximum gross floor area of approximately 212,000 square feet and 318,000 square feet, respectively (for Sha Tin Town Lot No. 567), and 92,000 square feet and 142,000 square feet, respectively (for Sha Tin Town Lot No. 565).

The Group and Manhattan Development Limited will act as joint lead project managers for these projects and the Group will act as lead sales and marketing manager.

Superstructure work has commenced and the projects are scheduled for completion in 2017.

Shau Kei Wan

The Shau Kei Wan project was acquired by the Group through a government tender in April 2014 and is wholly owned by the Group. The site, Shau Kei Wan Inland Lot No. 854, is located at the harbour-front with a seaview and access to public transportation. The development project comprises a site with a gross floor area of approximately 46,000 square feet. Superstructure work has commenced and the project is scheduled for completion in 2018.

Siu Sau

The Siu Sau project was acquired by the Group through a government tender in August 2013 and is wholly owned by the Group. The site, Tuen Mun Town Lot No.435, is located on Castle Peak Road — Tai Lam, Siu Sau, Tuen Mun. The development project comprises a site with a gross floor area of approximately 159,000 square feet. Foundation work and site formation work have commenced and the project is scheduled for completion by 2019.

So Kwun Wat

The So Kwun Wat project was acquired by the Group through a government tender in January 2016 and is wholly owned by the Group. The site, Tuen Mun Town Lot No. 497 is located on So Kwun Wat Road, Area 56, Tuen Mun. The development project comprises a site with a gross floor area of approximately 264,000 square feet. Ground investigation work has commenced and the project is scheduled for completion in 2021.

Castle Peak Road – Tai Lam

The Castle Peak Road – Tai Lam project was acquired by the Group through a government tender in July 2016 and owned 70% equity interest in the project. The site, Tuen Mun Town Lot No. 523 is located on Castle Peak Road, Tai Lam, Tuen Mun. The development project comprises a site with a gross floor area of approximately 294,000 square feet.

Our competitive strengths in property development

The Group has strategically focused on carving a niche in the Hong Kong high-end property segment by developing a portfolio of quality assets. The reputation of WingTai Asia in Hong Kong has been underscored by the Group's focus on product design, quality craftsmanship and the effectiveness of its project execution and sales and marketing capabilities. The Group has also benefited from a strong partnership network which comprises other reputable local developers.

Our strategy in property development

The Group intends to continue to grow its residential property development operations by proactively acquiring land bank from all avenues (including government tenders, auctions and private treaties) either on its own account or through participation in joint ventures. The Group adopts prudent financial management policies and is highly disciplined both in terms of site selection for acquisitions and valuation assessment. The Group has been building, and intends to continue building, a pipeline of projects which are more scalable and due for completion in a staggered manner in order to minimise the volatility of the residential development revenue and earnings recognition year on year.

Leveraging on its existing platform and reputation as a high-end quality developer, the Group intends to maintain its primary focus on the Hong Kong property market.

Property investment and management

As at 30 June 2016, the Group's portfolio of investment properties, comprising 1.5 million square feet of Grade-A office buildings and 0.7 million square feet of industrial buildings, had an aggregate fair market valuation of HK$18,513 million.

In July 2016, the Group disposed of its entire 50% interest in Upper Riverside, a luxury apartment building located at Lujiazui of Pudong, Shanghai. The disposal was completed in August 2016.

The Group's property investment and management team has extensive experience and in-depth knowledge in the real estate industry which enables the Group to manage its investment portfolio efficiently and take advantage of market opportunities. The management team is also committed to strengthening the long-term value of the Group's investment property portfolio, enhancing its recurrent income base by implementing asset enhancement programmes and providing service of high standards to tenants. The Group also seeks to maintain long-term relationships with tenants and to maintain a good tenant mix.

In Hong Kong, office and commercial leases are generally entered into for two to three year terms (some having the option to renew) with some exceptions depending on factors including the size of the leased area, tenant mix and market conditions. For longer term leases, the tenancy agreements usually contain rent review clauses. In the United Kingdom, office and commercial leases are generally for a longer term with periodic rent reviews during the term of the lease.

The value of the total assets of the property investment and management segment of the Group as at 31 December 2015 was HK$20,754.9 million. For the year ended 31 December 2015, the total revenue and profit before taxation (excluding change in fair value of investment properties and financial instruments) in this segment were HK$699.0 million and HK$423.3 million, respectively. For the six months ended 30 June 2016, the total revenue and profit before taxation (excluding change in fair value of investment properties and financial instruments) of this segment were HK$370.0 million and HK$230.9 million, respectively.

Wholly-owned properties in Hong Kong

Landmark East

Landmark East is the Group's flagship property located in Kowloon East. This wholly-owned property is a Grade-A office complex comprising twin towers of 36 floors and 34 floors, respectively, with a total gross floor area of approximately 1,338,000 square feet. As at 30 June 2016, the property achieved an occupancy of approximately 98%. An average rental upward reversion of approximately 33% was achieved for the leases renewed during the period under review. Around 30% of leases will expire in the second half of 2016 and will be subject to renewal on prevailing market terms.

W Square

W Square, formerly the Bank of East Asia Building, was acquired by the Group on a wholly-owned basis in July 2005. It is located on Hennessy Road in the heart of Wanchai. After its acquisition, a team of international consultants was appointed to transform W Square into a new Grade-A office and restaurants landmark in Wanchai.

W Square comprises approximately 129,000 square feet of office and retail space and commands strong rental rates in the Wanchai commercial rental market. As at 30 June 2016, W Square achieved an occupancy rate of approximately 96%.

Industrial properties

The Group has two industrial buildings, Winner Godown Building in Tsuen Wan and Shui Hing Centre in Kowloon Bay, with a combined gross floor area of approximately 684,000 square feet. As at 30 June 2016, the two properties achieved an average occupancy rate of approximately 83%.

Wholly-owned properties in London

No. 1 Savile Row/No. 7 Vigo Street

The commercial property is located at No.1 Savile Row/No. 7 Vigo Street, West End, London, and has a net internal area of approximately 14,000 square feet of Grade-A office and premier retail space. As at 30 June 2016, the property achieved full occupancy.

8-12 (even) Brook Street

The high-end commercial property located at 8-12 (even) Brook Street, West End, London was acquired by the Group on a wholly-owned basis in May 2013. The property has easy access to the upcoming Bond Street Station of London Crossrail, as well as the existing Oxford Circus and Bond Street underground stations and has a net internal area of approximately 19,000 square feet of Grade-A office and premier retail space. As at 30 June 2016, the property achieved full occupancy.

35 Berkeley Square

The commercial property, located at 35 Berkeley Square, West End, London, was acquired by the Group on a wholly-owned basis in September 2015 and has a net internal area of approximately 7,900 square feet of Grade A office space. As at 30 June 2016, the property achieved an occupancy rate of approximately 74%.

Joint venture project in London

10 Fleet Place

The commercial property, located at 10 Fleet Place, City of London, was acquired in September 2015 through a joint venture with an independent third party while the Group has a 25% interest in the joint venture. The property has a net internal area of approximately 186,000 square feet of Grade A office space. As at 30 June 2016, the property achieved full occupancy.

Cavendish Square

In January 2016, the Group acquired a 33% interest in a 6-storey commercial property located at Cavendish Square, London. The property has a net internal area of approximately 11,000 square feet of Grade A office space. The property is currently vacant and under refurbishment and expansion works which are scheduled for completion in early 2018.

Joint venture project in the PRC

Upper Riverside, Lujiazui, Pudong, Shanghai

In July 2016, the Group disposed of its entire 50% interest in Upper Riverside, a luxury apartment building located at Lujiazui of Pudong, Shanghai. The disposal was completed in August 2016.

Our competitive strengths in property investment and management

The Group's earnings from its property investment activities have been driven by its Grade-A office leasing capabilities in areas which have experienced increased demand for premium office space. The Group has, by formulating an effective market strategy and positioning, established a good tenant profile (in particular, in respect of Landmark East) which has enabled it to maintain high occupancy and renewal rates, and to secure attractive rental reversions upon renewal as well as spot rates in the market. With a well-planned tenant-mix strategy, the Group believes that its investment properties will be able to sustain high occupancy rates and generate increasing recurrent revenue and cashflow.

Our strategy in property investment and management

The Group's strategy in the property investment segment is to continue to acquire and enhance its investment portfolio with quality assets in Hong Kong and overseas and to continue to build upon its tenant base by focusing on strong, quality tenants.

Hospitality investment and management

The Lanson Place brand was established in 1995. The Group commenced managing serviced residences in 1996 and currently invests in and manages a diverse portfolio of serviced apartments and a boutique hotel under the Lanson Place brand. As at 30 September 2016, there were 12 Lanson Place properties (eleven in service, one to be opened in 2017) in five key Asian gateway cities — Hong Kong, Shanghai, Chengdu, Kuala Lumpur and Singapore — of which the Group has an investment in two properties.

Lanson Place Central Park Serviced Residences in Beijing ceased its serviced apartment operation after the 8-year management contract expired in June 2016.

The value of the total assets of the hospitality investment and management segment of the Group as at 31 December 2015 was HK$2,154.6 million. For the year ended 31 December 2015, the total revenue and profit before taxation (excluding change in fair value of investment properties and financial instruments and the one-off gain from disposal of an associate) in this segment were HK$147.8 million and HK$20.2 million, respectively. For the six months ended 30 June 2016, the total revenue and profit before taxation (excluding change in fair value of investment properties and financial instruments) of this segment were HK$64.9 million and HK$10.9 million, respectively.

Properties under management

As at the date of this Offering Circular, the following table sets out the properties which are, or will be, managed by the Group under the Lanson Place brand.

Property	Location	Group's interest	No. of units/ rooms
Lanson Place Hotel*	Causeway Bay, Hong Kong	100%	194
Lanson Place Bukit Ceylon Serviced Residences*	Kuala Lumpur	50%	150
Lanson Place Jinlin Tiandi Serviced Residences**	Huangpu District, Shanghai	—	106
Lanson Place Jin Qiao Serviced Residences	Pudong New District, Shanghai	—	102
Aroma Garden Serviced Suites by Lanson Place	Huangpu District, Shanghai	—	79
One Sunland Serviced Suites Managed by Lanson Place	Waigaoqiao Free Trade Zone, Pudong, Shanghai	—	188
Parkside Serviced Suites by Lanson Place	Huangpu District, Shanghai	—	182
Lanson Place Winsland Serviced Residences	Singapore	—	67
Ambassador Row Hotel Suites by Lanson Place	Kuala Lumpur	—	221
Kondominium No.8	Kuala Lumpur	—	132
Two MacDonnell Road	Mid-Levels, Hong Kong	—	213
Lanson Place Tianfu Square Serviced Residences †	Luomashi, Chengdu, Sichuan	—	162

* Member of the Small Luxury Hotels of the World

** The Group's entire 23.4% interest in this property was disposed in October 2015

† Target opening in the first half of 2017

Hospitality investment properties

<u>Lanson Place Hotel, Hong Kong</u>

Lanson Place Hotel is the first hotel in Hong Kong to qualify as one of the "Small Luxury Hotels of the World". It has won several other prestigious awards since its opening in 2005. Located in the heart of Causeway Bay, the Lanson Place Hotel has 194 rooms. It recorded a stable occupancy but the average rental rates were under pressure in line with the continued softening hotel market.

Lanson Place Hotel continues to be well-recognised by travellers and was awarded the "2016 Certificate of Excellence" by TripAdvisor.

<u>Lanson Place Bukit Ceylon Serviced Residences, Kuala Lumpur</u>

Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, Malaysia opened in August 2013. This new flagship property is strategically located in the heart of the city where various entertainment, commercial centres and cultural attractions are in close proximity. The property is the second property within the Group's portfolio to qualify as one of the "Small Luxury Hotels of the World" and is also the first "Small Luxury Hotel" in the Kuala Lumpur central business district.

Lanson Place Bukit Ceylon Serviced Residences has a total of 150 one to three bedroom serviced residences. It recorded stable occupancy but the average rental rates were under pressure due to a softening hotel market.

The residences won the "Gold Award" in Hotels.com Loved by Guest Awards 2016.

Our competitive strengths in hospitality investment and management

Lanson Place properties, which are generally located in close proximity to the central business district as well as shopping and entertainment areas, aim to offer personalised services and the conveniences of a luxury hotel while providing the seclusion and comforts of a private home.

The Lanson Place brand, operated by a professional and hospitality management team, is recognised by the industry and property owners and developers as one of the leading operators of serviced residences and boutique hotels in Asia. This is evidenced by the numerous awards presented to the Lanson Place properties. Some of the more recent awards are set out below.

Year of award	Property	Award
2016	Lanson Place Hotel, Hong Kong	"2016 Certificate of Excellence" by *TripAdvisor*
	Lanson Place Bukit Ceylon Serviced Residences, Kuala Lumpur	"Gold Award" in *Hotels.com Loved by Guest Awards 2016*
2015	Lanson Place Hotel, Hong Kong	"Asia's Leading Boutique Hotel 2015" and "Hong Kong's Leading Boutique Hotel 2015" by the *World Travel Awards*
		"Outstanding Customer Service Award" by *the Small Luxury Hotels of the World 2015 Hotel Awards*
		"2015 Certificate of Excellence" by *TripAdvisor*

Year of award	Property	Award
	Lanson Place Bukit Ceylon Serviced Residences, Kuala Lumpur	"Winner for the Hotel Suites in the Asia Pacific category" by the *International Hotel & Property Awards 2015*
	Lanson Place Jin Qiao Serviced Residences, Shanghai	"The Best Designed Boutique Serviced Apartment of China" by the *10th China Hotel Starlight Awards*
	Lanson Place Hospitality Management Limited	"The Best Serviced Apartment Operator of China" by the *10th China Hotel Starlight Awards*
	Lanson Place Central Park Serviced Residences in Beijing	"Best Homes" by *2015 City Weekend Home & Office Design Luxury Homes of China Awards*
2014	Lanson Place Hotel, Hong Kong	"2014 Certificate of Excellence" by *TripAdvisor*
		"Winner of Expedia Insiders' Select 2014" by *Expedia.com*
	Lanson Place Central Park Serviced Residences, Beijing	"The Best Serviced Apartments of China" by the *9th China Hotel Starlight Awards*
	Lanson Place Hospitality Management Limited	"The Best Serviced Apartment Operator of China" by the *9th China Hotel Starlight Awards*
	Lanson Place Winsland Serviced Residences, Singapore	"2014 Certificate of Excellence" by *TripAdvisor*
2013	Lanson Place Hotel, Hong Kong	"Winner of Asia's Leading Boutique Hotel 2013" by *World Travel Awards*
		"2013 Certificate of Excellence" by *TripAdvisor*
	Lanson Place Winsland Serviced Residences, Singapore	"2013 Certificate of Excellence" by *TripAdvisor*
	Lanson Place Ambassador Row Serviced Suites, Kuala Lumpur	"2013 Certificate of Excellence" by *TripAdvisor*

Year of award	Property	Award
2012	Lanson Place Jinlin Tiandi Serviced Residences, Shanghai	"The Best Location for Best Home of Shanghai 2012" by *City Weekend*
	Lanson Place Jin Qiao Serviced Residences, Shanghai	"The Best Environment for Best Home of Shanghai 2012" by *City Weekend*
	Lanson Place Hotel, Hong Kong	"Asia's Leading Boutique Hotel" by *World Travel Awards 2012*
	Lanson Place Hotel, Hong Kong	"The Best Hotel, Hong Kong" in the *Asia Pacific Hotel Awards 2012*
	Lanson Place Hotel, Hong Kong	Winner of the "2012 Travellers' Choice Award" by *TripAdvisor*
	Lanson Place Hotel, Hong Kong	"2011 Best Boutique Hotel" by *Travel & Leisure Magazine Annual Travel Awards*

Additionally, the debut of the Group's "Lanson Place Lifestyle Services" initiative at The Warren, The Pierre and Homantin Hillside are demonstrative of the Group's cross-business synergy which adds a unique level of value to its development platform.

Our strategy in hospitality investment and management

The Group's strategy is to continue to grow the "Lanson Place" brand as a pan-Asian brand. The Group will continue to explore investment and management opportunities mainly in key gateway cities in the Asia-Pacific region to extend its reach and further expand its portfolio of assets.

Financing

The Group adopts a prudent financial management policy and closely monitors its gearing, debt servicing and the maturity profile of its borrowings to maintain a healthy financial profile with sufficient liquidity. The Group has access to diversified funding sources such as loan and equity and debt capital markets, and has maintained strong and long-term relationships with reputable banks in Hong Kong to enable the Group to obtain credit facilities at costs comparable to those of other property developers in Hong Kong. The Group will seek to continue to maximise its financial flexibility, diversify its financing avenues and enhance its liquidity.

Employees

As at 30 June 2016, the Group had approximately 520 employees. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to the prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Guarantor's share option plan.

Laws and regulations

The operations of the Group are subject to various laws and regulations, including environmental laws and regulations, of Hong Kong, the PRC, the United Kingdom and the other countries and regions in which it has operations. The Group's activities conducted on its investment and development properties are governed by relevant statutes, rules and regulations. Developments, major building works and other re-development projects may require government permits, some of which may take longer to obtain than others. From time to time, governments may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to inspections by certain governmental departments with regard to various safety and environmental issues if warranted by the circumstances.

Competition

The Group competes with other property developers in Hong Kong and in the PRC for the acquisition of suitable development sites and available investment properties. Although the Group has a number of strategic joint venture arrangements with certain of its competitors, such arrangements are typically project based only and do not restrict joint venture partners from competing on other project developments. The Guarantor believes that its extensive experience in property development and property investment and management will enable the Group to remain competitive in the markets in which it operates.

Insurance

The Group believes that its properties are covered by adequate property insurance by reputable companies operating in the same business segments and with commercially reasonable deductibles and limits, covering fire, earthquake, loss of rental, third party liabilities and business interruption.

Subsidiaries

The key subsidiaries of the Guarantor as at the date of this Offering Circular are set out in the following table:

Name	Place and year of incorporation	Principal activities	Particulars of issued share capital/ registered capital	The Guarantor's interest
Baudinet Investment Limited	Hong Kong/1981	Property investment	Ordinary shares HK$18 Non-voting deferred shares HK$2	100%
Begin Land Limited	Hong Kong/1988	Property investment	Ordinary shares HK$90,000 Non-voting deferred shares HK$10,000	100%
Conventional Wisdom Limited	Hong Kong/2013	Property development	HK$1	100%
Creation Empire Limited	Hong Kong/2013	Property investment	HK$1	100%
Fore Prosper Limited	Hong Kong/2001	Hospitality investment	HK$10	100%

Name	Place and year of incorporation	Principal activities	Particulars of issued share capital/ registered capital	The Guarantor's interest
Grandeur Investments Limited	British Virgin Islands/ 1991	Property investment	US$1	100%
Green Lotus Limited	Hong Kong/2013	Property development	HK$1	100%
Lanson Place Hospitality Management Limited.	Hong Kong/1994	Provision of hospitality management services	HK$2	100%
Nation Smart Limited	British Virgin Islands/ 2015	Property investment	US$10	100%
New Ego Limited	British Virgin Islands/ 2010	Property investment	US$1	100%
Noble Castle Investments Limited	Hong Kong/2013	Property investment	HK$1	100%
Oasis Rainbow Limited. . . .	Hong Kong/2013	Property development	HK$1	100%
Smart Tycoon Limited	Hong Kong/2012	Property development	HK$1	70%
Topworth Enterprises Limited	British Virgin Islands/ 2013	Property investment	US$1	100%
True Synergy Limited	Hong Kong/2010	Property development	HK$1	100%
Value Castle Limited	Hong Kong/2010	Property development	HK$1	100%
Wing Tai Properties Development Limited	Hong Kong/1996	Provision of property project management services	HK$2	100%
Wing Tai Properties Investment Limited	British Virgin Islands/ 2012	Investment holding	US$1	100%
Wing Tai Properties (Finance) Limited	British Virgin Islands/ 2012	Provides finance to group companies	US$1	100%
Wing Tai Properties (Hong Kong) Limited	Hong Kong/1952	Provides finance to group companies	HK$523,647,184.32	100%
Winnion Limited.	Hong Kong/2004	Property investment	HK$100	100%
Zofka Properties Limited	Hong Kong/1981	Property investment	Ordinary shares HK$90,000 Non-voting deferred shares HK$10,000	100%
永泰富聯物業管理（北京）有限公司	People's Republic of China/2006	Hospitality investment	US$12,300,000	100%

Further details of principal subsidiaries of the Guarantor are set out in note 42 to the Guarantor's audited consolidated financial statements for the year ended 31 December 2015.

Related party transactions

The Group has in the past engaged in transactions with its substantial shareholders and other related parties, and expect that it will continue to enter into such transactions in the future. The Group has in place certain checks and balances to ensure that the Group's interests (and those of its beneficial shareholders) are protected in relation to related party transactions.

Please refer to the relevant notes in the interim report and annual reports of the Guarantor for details of significant related party transactions of the Guarantor for each of the years ended 31 December 2014 and 31 December 2015 and for the six months ended 30 June 2016 respectively.

Substantial shareholders of the Guarantor

The following table sets out the persons with interests in the shares of the Guarantor representing 5% or more of the Guarantor's issued share capital as at 30 June 2016 which had been notified to the Guarantor.

	Name of Shareholder	Capacity	Number of Shares interested	Approx. percentage of the issued share capital *(Note 1)*
1.	Cheng Wai Chee, Christopher	Beneficial owner, beneficiary under a trust and beneficial owner of incentive shares and share options	475,336,751 *(Note 2)*	35.38%
2.	Cheng Wai Sun, Edward	Beneficial owner, beneficiary under a trust and beneficial owner of incentive shares and share options	473,269,416 *(Note 2)*	35.23%
3.	Cheng Man Piu, Francis	Beneficiary under a trust	462,488,185 *(Note 2)*	34.42%
4.	Brave Dragon Limited	Beneficial owner	141,794,482	10.55%
5.	Crossbrook Group Limited	Beneficial owner	270,411,036	20.13%
6.	Wing Tai Holdings Limited	Interest of controlled corporation	462,488,185 *(Notes 3(a) & 4)*	34.42%
7.	Deutsche Bank International Trust Co.Limited.	Trustee	462,488,185 *(Notes 3(b) & 5)*	34.42%
8.	Deutsche Bank International Trust Co. (Cayman) Limited.	Trustee	462,488,185 *(Notes 3(b) & 5)*	34.42%
9.	Wing Tai Corporation Limited	Interest of controlled corporation	182,560,826 *(Note 6)*	13.59%
10.	Renowned Development Limited	Interest of controlled corporation	182,560,826 *(Notes 3(c) & 6)*	13.59%
11.	Wing Tai (Cheng) Holdings Limited	Interest of controlled corporation	199,884,783 *(Notes 3(c) & 7)*	14.88%
12.	Sun Hung Kai Properties Limited	Interest of controlled corporation	183,612,533 *(Note 8)*	13.67%
13.	Gala Land Investment Company Limited	Beneficial owner	101,579,467	7.56%
14.	Farnham Group Limited	Interest of controlled corporation	101,579,467 *(Notes 3(d) & 9)*	7.56%
15.	Chow Chung Kai	Beneficial owner, interest of spouse, controlled corporation and other	180,024,824 *(Notes 3(d) & 10)*	13.40%
16.	Chow Yu Yue Chen	Beneficial owner, interest of spouse and controlled corporation	150,812,777 *(Notes 3(d) & 11)*	11.23%

Notes:

1. The total number of issued shares in the capital of the Guarantor (the "***Shares***") as at 30 June 2016 was 1,343,476,279.

2. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis, being beneficiaries of a family trust, were deemed to be interested in 462,488,185 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited as set out in the table and these notes. The same represented the same interests and was therefore duplicated amongst these three directors of the Guarantor for the purpose of Part XV of the Securities and Futures Ordinance.

3. The interests disclosed duplicated in the following manners and to the following extent:

   (a) the interests of parties 4 and 5 were included in the interests of party 6.

   (b) the interests of party 6 duplicated with the interests of parties 7 and 8 entirely.

   (c) the interests of party 9 duplicated with the interests of party 10 entirely and were included in the interests of party 11.

   (d) the interests of party 13 duplicated with the interests of party 14 entirely and were included in the interests of parties 15 and 16.

4. Wing Tai Holdings Limited beneficially owned 89.4% of the issued share capital of Brave Dragon Limited, 100% of the issued share capital of Crossbrook Group Limited and 100% of the issued share capital of Wing Tai Retail Pte. Ltd. Wing Tai Retail Pte. Ltd. owned 50,282,667 Shares.

5. Deutsche Bank International Trust Co. Limited was the trustee of a family trust (of which Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis were beneficiaries) which held all units of a unit trust ("***Unit Trust***"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust which beneficially owned 100% of the issued shares of Wing Tai Asia Holdings Limited and 61.3% of the issued shares of Terebene Holdings Inc. Wing Tai Asia Holdings Limited, through its wholly-owned subsidiary, Wing Sun Development Private Limited, held 28.47% of the issued shares of Wing Tai Holdings Limited. Terebene Holdings Inc. held 59.3% of the issued shares of Winlyn Investment Pte Ltd. which in turn held 9.32% of the issued shares of Wing Tai Holdings Limited.

6. Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited ("***Bestime***") and Pofung Investments Limited ("***Pofung***") and, therefore, by virtue of its corporate interest in Bestime and Pofung, Wing Tai Corporation Limited was deemed to be interested in 93,629,998 Shares and 88,930,828 Shares held by Bestime and Pofung, respectively.

   By virtue of the corporate interest of Renowned Development Limited in Wing Tai Corporation Limited, the former was deemed to be interested in the latter's interest in the Shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors and management of the Guarantor

The board of directors of the Guarantor (the "***Board***") consists of 14 members. Set forth below is the biographical information of each director, alternate director and the company secretary of the Guarantor.

Executive directors

Dr. Cheng Wai Chee, Christopher *GBS OBE JP*, aged 68, was appointed Chairman of the Guarantor in 1991. Dr. Cheng is a member of the Remuneration Committee and Nomination Committee of the Guarantor. He is also a director of certain members of the Group. Dr. Cheng is an independent non-executive director of several listed companies in Hong Kong, including NWS Holdings Limited and Kingboard Chemical Holdings Limited. He is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. Dr. Cheng holds a Doctorate in Social Sciences honoris causa from The University of Hong Kong and a Doctorate in Business Administration honoris causa by The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree, and from Columbia University, New York with an MBA degree.

Dr. Cheng plays an active role in public service. He is a member of the Judicial Officers Recommendation Commission of the Government of the HKSAR. Dr. Cheng is a member of the board of overseers of Columbia Business School, a member of the President's Council on International Activities of Yale University and a member of the International Advisory Board of The Hong Kong Polytechnic University. He is also a steward of the board of The Hong Kong Jockey Club.

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

Mr. Cheng Wai Sun, Edward *SBS JP*, aged 61, was appointed executive director and Chief Executive in 1994 and Deputy Chairman of the Guarantor in 2007. Mr. Cheng is a member of the Remuneration Committee and Nomination Committee of the Guarantor and a director of certain members of the Group. He is also an independent non-executive director of Orient Overseas (International) Limited and Standard Chartered Bank (Hong Kong) Limited. Mr. Cheng has a master's degree from Oxford University. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is currently a board member of the Airport Authority Hong Kong and a member of the Commission on Strategic Development of the Government of the HKSAR. He is a Justice of the Peace, and has been awarded the Silver Bauhinia Star by the Government of the HKSAR.

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

Mr. Cheng Man Piu, Francis, aged 64, was appointed executive director of the Guarantor in 1991 and is also a director of two members of the Group. Mr. Cheng graduated from the University of Wisconsin with a Bachelor of Science degree in Industrial Engineering and an MBA degree. He is the Vice-Chairman of The Federation of Hong Kong Garment Manufacturers, a general committee member of The Chinese Manufacturers' Association of Hong Kong and Textile Council of Hong Kong and also a member of The Accountancy Training Board of the Vocational Training Council.

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

Mr. Chow Wai Wai, John, aged 67, was appointed executive director of the Guarantor in 2007. He is the Managing Director of the Group's Property Investment and Management Division and a director of certain members of the Group. Mr. Chow graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also a non-executive director of Dah Sing Financial Holdings Limited and ARA Trust Management (Suntec) Limited (Manager of the Singapore listed Suntec Real Estate Investment Trust). Mr. Chow has over 30 years of experience in the property investment and management business.

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

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

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

Non-executive directors

Mr. Kwok Ping Luen, Raymond *JP*, aged 63, was appointed non-executive director of the Guarantor in 1991. He is the Chairman and Managing Director of Sun Hung Kai Properties Limited ("***SHKP***") (a substantial shareholder of the Guarantor within the meaning of Part XV of the SFO). Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the Chairman and an executive director of SUNeVision Holdings Ltd. He is also the Chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited.

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

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

Mr. Kwok Ho Lai, Edward, aged 36, was appointed as the alternate director to Mr. Kwok Ping Luen, Raymond ("***Mr. Raymond Kwok***") of the Guarantor since April 2015. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Kwok is the alternate director to Mr. Raymond Kwok of SHKP and is a sales and project manager of SHKP group responsible for feasibility study, marketing and planning of new residential projects of SHKP group in Hong Kong. SHKP is a substantial shareholder of the Guarantor within the meaning of Part XV of the SFO. Before joining SHKP group, Mr. Kwok worked in a major international audit firm. He is a son of Mr. Raymond Kwok.

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

Mr. Ng Tak Wai, Frederick, aged 59, acted as executive director from 1995 and was re-designated as a non-executive director of the Guarantor in April 2011. He graduated from Georgetown University with a BSBA degree, and also graduated from Columbia University with an MBA degree. Mr. Ng has held senior management positions in various garment manufacturing and distribution companies affiliated with the Wing Tai Group in Hong Kong. His background is in manufacturing operations and management information systems.

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

Mrs. Chen Chou Mei Mei, Vivien, aged 67, was appointed non-executive director of the Guarantor in 2012 and has been with the Group since 2007. She graduated with a Bachelor of Arts degree from the University of Colorado in the United States of America and has over 30 years' experience in investments, in particular, property related investments. Mrs. Chen is an independent non-executive director of New Silkroutes Group Limited (formerly known as Digiland International Limited) (listed on the Singapore Stock Exchange).

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

Independent non-executive directors

Mr. Simon Murray *CBE*, aged 76, was appointed independent non-executive director of the Guarantor in 1994. Mr. Murray is the Chairman of the Remuneration Committee of the Guarantor. He is the Non-Executive Chairman of General Enterprise Management Services Limited, a private equity fund management company. Mr. Murray is an independent non-executive director of Orient Overseas (International) Limited, Spring Asset Management Limited (Manager of the listed Spring Real Estate Investment Trust), Cheung Kong Property Holdings Limited and IRC Limited. He is also a non-executive director of Greenheart Group Limited, China LNG Group Limited and Compagnie Financière Richemont SA (listed on SWX Swiss Exchange). Mr. Murray has been the Executive Chairman of Asia Pacific for the Deutsche Bank Group. He was the Group Managing Director of Hutchison Whampoa Limited for 10 years.

Mr. Fang Hung, Kenneth *GBS CBE JP*, aged 77, was appointed independent non-executive director of the Guarantor in 1997. Mr. Fang is a member of the Audit Committee and Remuneration Committee of the Guarantor. He is the Chairman of Fang Brothers Holdings Limited and Yeebo (International Holdings) Limited. He graduated from Massachusetts Institute of Technology, U.S.A. with a Master's degree in Chemical Engineering. Mr. Fang was also conferred an Honorary Degree of Doctor of Business Administration by The Hong Kong Polytechnic University in 2005 and an Honorary Degree of Doctor by The Nanjing University in 2014. He is an Honorary Chairman of the Hong Kong Textile Council and an Honorary President of the Hong Kong Woollen and Synthetic Knitting Manufacturers' Association.

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

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

Mr. Cheng Hoi Chuen, Vincent *GBS OBE JP*, aged 68, was appointed independent non-executive director and Chairman of the Nomination Committee of the Guarantor in February 2013. He graduated with a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master's degree of Philosophy in Economics from The University of Auckland. Mr. Cheng is an independent non-executive director of MTR Corporation Limited, Great Eagle Holdings Limited, CLP Holdings Limited, Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), China Minsheng Banking Corp., Ltd., Shanghai Industrial Holdings Limited and CK Hutchison Holdings Limited.

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

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

Company secretary

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

Committees

Remuneration Committee

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

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

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

(a) review and approval of the remuneration packages of certain executive directors including bonuses for the year ended 31 December 2014 and the annual base salaries for the year ended 31 December 2015;

(b) review and approval of the grant of incentive shares to the senior management pool and management staff pool under the Share Incentive Scheme; and

(c) review and approval of the proposal of directors' fees for the year ended 31 December 2015, with a recommendation to the shareholders for approval.

Remuneration Policy for Executive Directors and Senior Management

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

(i) the executive director's and senior management's individual responsibilities;

(ii) the executive director's and senior management's individual performance;

(iii) the performance of the business unit(s) headed by the executive director or senior management concerned; and

(iv) the performance of the Group as a whole.

Remuneration Policy for Non-Executive Directors

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

Nomination Committee

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

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

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

(a) review of the structure, size and composition of the Board;

(b) review of the independence of the independent non-executive directors;

(c) making recommendations on the re-election of directors at the 2015 annual general meeting;

(d) review of the measurable objectives set for implementing the Board Diversity Policy and approval of the disclosure of the review in the Corporate Governance Report; and

(e) consideration of the educational background, professional qualification and work experience of Kwok Ho Lai, Edward according to the Board Diversity Policy and the measurable objectives in relation thereto and making recommendation to the Board on his appointment as the alternate director to Kwok Ping Luen, Raymond.

Audit Committee

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

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

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

(a) review of the external auditor's audit plan for the year ended 31 December 2015;

(b) review of the 2016 internal audit plan;

(c) review of the 2015 work progress reports and the works performed by internal audit in 2015;

(d) review of the annual report and results announcement for the year ended 31 December 2014, with a recommendation to the Board for approval;

(e) review of the external auditor's report on the audit of the financial statements for the year ended 31 December 2014;

(f) review of the interim report and interim results announcement for the six months ended 30 June 2015, with a recommendation to the Board for approval;

(g) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2015;

(h) approval of the 2016 annual budget for audit and non-audit services;

(i) meeting with external auditors without executive directors' present; and

(j) discussion on the new requirements on the risk management under the Corporate Governance Code as set out in Appendix 14 of the HKSE Rules.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or the CMU Service (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "***HKMA***") for the safe custody and electronic trading between the members of this service ("***CMU Members***") of capital markets instruments ("***CMU Instruments***") which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, "authorized institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Book-entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. In respect of Bearer Notes, a Temporary Bearer Global Note and/or a Permanent Bearer Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU Service. Transfers of interests in a Temporary Bearer Global Note or a Permanent Bearer Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU Service, Euroclear and Clearstream, Luxembourg.

Registered Notes

Application will be made to Euroclear and Clearstream, Luxembourg on behalf of the Issuer in order to have Tranches of Notes represented by Registered Global Notes accepted in their respective book-entry settlement systems. Each Series of Registered Notes will have an International Securities Identification Number ("***ISIN***") and a Common Code. Investors in Notes of such Series may hold their interests in a Registered Global Note through Euroclear or Clearstream, Luxembourg. Registered Global Notes may also be deposited with a sub-custodian for the HKMA as operator of the CMU Service.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream, Luxembourg and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. Euroclear, Clearstream, Luxembourg and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream, Luxembourg and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Paying Agents, the Registrar or any Dealer will be responsible for any performance by Euroclear, Clearstream, Luxembourg or the CMU Service or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction are advised to consult their own professional advisers.

BVI

No stamp duties or similar documentary taxes imposed by or in the British Virgin Islands are payable by the Issuer and the Issuer will not be required by any laws of the British Virgin Islands to make any deduction or withholding from any payment it may make.

Notwithstanding any provision of the Income Tax Ordinance of the British Virgin Islands, (a) the Issuer; (b) all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer; and (c) capital gains realised with respect to any shares, debt obligations or other securities of the Issuer, are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. The British Virgin Islands currently levies no estate, inheritance, succession or gift tax with respect to any shares, debt obligations or other securities of the Issuer.

Bermuda

Holders of Notes who are not resident in or engaged in trade or business through a permanent establishment in Bermuda will not be subject to any taxes or duties in Bermuda on gains realised on the disposal or redemption of a Note or on income from a Note.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong)) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing on or after 22 June 1998 to a person other than a financial institution on deposits (denominated in any currency) placed with, inter alia, a financial institution in Hong Kong is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to guarantee money borrowed in certain circumstances.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bearer Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Bearer Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of Bearer Notes will be subject to profits tax. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty may be payable on the issue of Bearer Notes if they are issued in Hong Kong. Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable it is payable by the Issuer on issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Estate Duty

No estate duty will be payable in Hong Kong in respect of Notes.

Foreign Account Tax Compliance Act

While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("***FATCA***") will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository for the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

SUBSCRIPTION AND SALE

The Dealers have in a programme agreement (as amended and/or supplemented from time to time, the "***Programme Agreement***") dated 6 November 2012, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes" and "Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme, any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Issuer (failing which, the Guarantor) has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Any stabilisation will be conducted in accordance with all applicable regulations. Under laws and regulations of the United Kingdom stabilising activities may only be carried on by the Stabilising Manager named in the applicable Pricing Supplement and must be discontinued no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Selling Restrictions

United States

1.1 The Notes and the Guarantee have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act.

Terms used in this paragraph 1.1 have the meanings given to them by Regulation S.

1.2 Each Dealer has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

1.3 In addition in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the "***D Rules***"), each Dealer (i) represented that it has not offered or sold, and agreed that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represented that it has not delivered and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(b) each Dealer represented that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, each Dealer represented that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section l.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in paragraphs 1.3(a), 1.3(b) and 1.3(c) on such affiliate's behalf.

Terms used in this paragraph 1.3 have the meanings given to them by the U.S. Internal Revenue Code 1986 and regulations thereunder, including the D Rules.

1.4 In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph 1.4 have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including U.S. Reg § 1.163-5(c)(2)(i)(C).

1.5 Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "***Relevant Member State***"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "***Relevant Implementation Date***") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "***Non-exempt Offer***"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "***offer of Notes to the public***" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "***Prospectus Directive***" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "***FSMA***") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act ("*Wet op het financieel toezicht*").

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "***FIEA***"). Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "***SFO***")) other than (a) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "***Securities and Futures Act***"). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person as defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

Bermuda

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make any invitation to the public or any member of the public in Bermuda to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in Bermuda.

British Virgin Islands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Guarantor and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Other Relationships

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer or the Guarantor and their respective affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions with, the Issuer or the Guarantor and their respective affiliates in the future.

The Dealers or certain of their respective affiliates may, subject to the selling restrictions described above, purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

Broker-dealer affiliates

If a jurisdiction requires that such offering be made by a licensed broker or dealer and an Arranger or Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the board of directors of the Issuer dated 2 November 2012 and the giving of the Guarantee has been duly authorised by resolutions of the board of directors of the Guarantor dated 5 November 2012. The update of the Programme for 2016 has been duly authorised by resolutions of the board of directors of the Issuer dated 31 October 2016 and by resolutions of an executive committee of the board of directors of the Guarantor dated 31 October 2016. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee relating to them.

Listing of Notes on the Hong Kong Stock Exchange

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, Notes issued under the Programme. The issue price of listed Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will be available at 27th Floor, AIA Kowloon Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong and from the specified office of the Paying Agent in Hong Kong if and for so long as any Notes are listed on the Hong Kong Stock Exchange:

(i) the Memorandum and Articles of Association of the Issuer and the constitutional documents of the Guarantor;

(ii) the audited consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2014 and 31 December 2015;

(iii) the unaudited condensed consolidated interim financial information of the Guarantor in respect of the six months ended 30 June 2016;

(iv) the most recently published audited annual financial statements of the Guarantor and the most recently published unaudited condensed consolidated interim financial information of the Guarantor (at the date of this Offering Circular, the Guarantor publishes unaudited condensed consolidated interim financial information on a half yearly basis);

(v) the Agency Agreement, the Guarantee, the Deed of Covenant, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(vi) a copy of this Offering Circular;

(vii) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(viii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU Service. The relevant CMU Instrument Number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system (including Sicovam) the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Guarantor or the Group since 30 June 2016 and there has been no material adverse change in the financial or trading position of the Issuer since the date of its incorporation.

Litigation

Save as disclosed in this Offering Circular, neither the Issuer nor the Guarantor nor any other member of the Group is engaged in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) which may have or have had in the 12 months preceding the date of this document a material adverse effect on the financial position of either Issuer, the Guarantor or the Group.

Audited Consolidated Financial Statements

The Issuer was incorporated on 6 June 2012 and has not published any of its accounts. The auditor of the Guarantor is PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, who has audited, and issued unqualified audit reports on the Guarantor's consolidated financial statements for each of the years ended 31 December 2014 and 2015, in accordance with Hong Kong Standards on Auditing issued by the HKICPA and has reviewed the unaudited condensed consolidated interim financial information of the Guarantor for the six-month period ended 30 June 2016, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Solely in respect of the listing of the Programme on the Hong Kong Stock Exchange, PricewaterhouseCoopers has given and has not withdrawn its written consent to the reproduction of the auditor's reports dated 17 March 2016 and 17 March 2015 on the audited consolidated financial statements of the Guarantor for each of the years ended 31 December 2015 and 31 December 2014 and the review report dated 30 August 2016 on the unaudited condensed consolidated interim financial information of the Guarantor for the six months ended 30 June 2016, respectively, in this Offering Circular of its reports in respect of the Guarantor in the form and context in which they are so included.

INDEX TO FINANCIAL STATEMENTS

INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

INDEX TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

(1) The Independent Auditor's Reports on the consolidated financial statements of the Guarantor set out herein are reproduced from the Guarantor's annual reports for each of the years ended 31 December 2014 and 2015, and page references included in the respective Independent Auditor's Reports refer to pages set out in such annual reports.

(2) The Report on Review of Interim Financial Information on the unaudited condensed consolidated interim financial information of the Guarantor set out herein is reproduced from the Guarantor's interim report for the six months ended 30 June 2016, and page references included in the Report on Review of Interim Financial Information refer to pages set out in such interim report.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF WING TAI PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing Tai Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 127, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'M	2013 HK$'M
Continuing operations			
Revenue	5	1,783.5	1,736.2
Cost of sales		(857.1)	(917.4)
Gross profit		926.4	818.8
Other gains, net	7	8.0	105.6
Selling and distribution costs		(75.9)	(85.9)
Administrative expenses		(250.0)	(236.9)
Change in fair value of investment properties and financial instruments	14	1,539.2	2,121.1
Profit from operations	8	2,147.7	2,722.7
Finance costs	10	(130.1)	(159.1)
Finance income	10	13.9	13.2
Share of results of joint ventures	18(a)	(0.6)	163.5
Share of results of associates	19(a)	2.2	5.9
Profit before taxation from continuing operations		2,033.1	2,746.2
Taxation	11	(89.5)	(91.4)
Profit for the year from continuing operations		1,943.6	2,654.8
Discontinued operations	39		
Profit for the year from discontinued operations		–	6.4
Profit for the year		1,943.6	2,661.2
Profit for the year attributable to:			
Equity holders of the Company			
– From continuing operations		1,943.6	2,654.6
– From discontinued operations		–	6.4
		1,943.6	2,661.0
Non-controlling interests			
– From continuing operations		–	0.2
		1,943.6	2,661.2

	Note	2014	2013
Earnings per share attributable to equity holders of the Company	12		
Basic earnings per share			
– From continuing operations		HK$1.45	HK$1.99
– From discontinued operations		–	–
		HK$1.45	HK$1.99
Diluted earnings per share			
– From continuing operations		HK$1.45	HK$1.98
– From discontinued operations		–	–
		HK$1.45	HK$1.98
Dividends (expressed in HK$'M)	13	180.7	180.6

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK$'M	2013 HK$'M
Profit for the year		1,943.6	2,661.2
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net surplus arising on revaluation of land use rights and other properties, plant and equipment upon transfer to investment properties		–	7.1
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(44.8)	13.5
Net fair value gain/(loss) arising from revaluation of available-for-sale financial assets		87.8	(50.0)
Net gain/(loss) on net investment hedge		0.6	(7.9)
Net (loss)/gain on cash flow hedge			
– Fair value (losses)/gains		(53.1)	33.5
– Realised upon settlement		26.9	45.6
– Release to profit or loss		(5.1)	–
		12.3	34.7
Other comprehensive income for the year, net of tax	11	12.3	41.8
Total comprehensive income for the year		1,955.9	2,703.0
Total comprehensive income for the year attributable to:			
Equity holders of the Company		1,955.9	2,702.8
Non-controlling interests		–	0.2
		1,955.9	2,703.0
Total comprehensive income for the year attributable to equity holders of the Company:			
– From continuing operations		1,955.9	2,696.4
– From discontinued operations		–	6.4
		1,955.9	2,702.8

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Note	2014 HK$'M	2013 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	20,586.1	19,002.7
Other properties, plant and equipment	16	58.4	68.0
Investments in joint ventures	18(a)	482.3	511.5
Loans to joint ventures	18(a)	1,905.8	1,726.7
Investments in associates	19(a)	100.0	100.5
Loans to associates	19(a)	21.8	24.7
Deposits and loan receivables	20	17.5	20.1
Other financial assets	21	487.0	401.6
Deferred tax assets	30	4.5	9.4
Derivative financial instruments	24	–	30.2
		23,663.4	21,895.4
Current assets			
Properties for sale	22	1,322.2	1,425.0
Trade and other receivables, deposits and prepayments	23	777.0	1,885.9
Other financial assets	21	38.9	51.3
Derivative financial instruments	24	0.4	–
Sales proceeds held in stakeholders' accounts	25	79.1	192.4
Tax recoverable		40.7	2.3
Restricted bank deposits	26	13.5	10.6
Bank balances and cash	27	1,592.6	1,242.2
		3,864.4	4,809.7
Current liabilities			
Trade and other payables and accruals	28	404.4	684.9
Derivative financial instruments	24	18.9	39.5
Tax payable		46.2	71.7
Bank and other borrowings	29	63.8	1,739.7
		533.3	2,535.8
Net current assets		3,331.1	2,273.9
Total assets less current liabilities		26,994.5	24,169.3

CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Note	2014 HK$'M	2013 HK$'M
Non-current liabilities			
Bank and other borrowings	29	3,815.0	2,947.1
Other long-term liability	31	91.5	58.9
Derivative financial instruments	24	136.6	54.2
Deferred tax liabilities	30	271.2	213.9
		4,314.3	3,274.1
NET ASSETS		22,680.2	20,895.2
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	32	669.3	667.6
Reserves	34(a)	22,009.7	20,226.1
		22,679.0	20,893.7
Non-controlling interests		1.2	1.5
TOTAL EQUITY		22,680.2	20,895.2

The financial statements on pages 50 to 127 were approved and authorised for issue by the Board of Directors on 17 March 2015 and are signed on its behalf by:

Cheng Wai Chee, Christopher
DIRECTOR

Cheng Wai Sun, Edward
DIRECTOR

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

BALANCE SHEET

At 31 December 2014

	Note	2014 HK$'M	2013 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	6,883.8	7,062.1
Current assets			
Other receivables and prepayments		0.7	0.6
Bank balances and cash	27	0.2	0.2
		0.9	0.8
Current liabilities			
Other payables		12.5	4.8
Net current liabilities		(11.6)	(4.0)
Total assets less current liabilities		6,872.2	7,058.1
NET ASSETS		6,872.2	7,058.1
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	32	669.3	667.6
Reserves	34(b)	6,202.9	6,390.5
TOTAL EQUITY		6,872.2	7,058.1

Cheng Wai Chee, Christopher
DIRECTOR

Cheng Wai Sun, Edward
DIRECTOR

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

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

	Attributable to equity holders of the Company											
	Share capital HK$'M	Share premium HK$'M	Hedging reserve HK$'M	Investment revaluation reserve HK$'M	Employee share-based compensation reserve HK$'M	Other property revaluation reserve HK$'M	Translation reserve HK$'M	Contributed surplus HK$'M	Retained profits HK$'M	Total HK$'M	Non-controlling interests HK$'M	Total equity HK$'M
At 1 January 2013	666.1	3,267.0	(101.8)	228.1	12.2	57.0	63.0	751.0	13,417.2	18,359.8	2.0	18,361.8
Comprehensive income												
Profit for the year	–	–	–	–	–	–	–	–	2,661.0	2,661.0	0.2	2,661.2
Other comprehensive income												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	13.5	–	–	13.5	–	13.5
Net fair value loss arising from revaluation of available-for-sale financial assets	–	–	–	(50.0)	–	–	–	–	–	(50.0)	–	(50.0)
Net loss on net investment hedge	–	–	(7.9)	–	–	–	–	–	–	(7.9)	–	(7.9)
Net gain on cash flow hedge	–	–	79.1	–	–	–	–	–	–	79.1	–	79.1
Net surplus arising on revaluation of land use rights and other properties, plant and equipment upon transfer to investment properties	–	–	–	–	–	7.1	–	–	–	7.1	–	7.1
Total comprehensive income	–	–	71.2	(50.0)	–	7.1	13.5	–	2,661.0	2,702.8	0.2	2,703.0
Transactions with owners												
Value of employee services relating to grants of incentive shares	–	–	–	–	9.9	–	–	–	–	9.9	–	9.9
Incentive shares exercised	1.5	6.6	–	–	(6.6)	–	–	–	–	1.5	–	1.5
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(0.7)	(0.7)
2012 final dividend paid	–	–	–	–	–	–	–	–	(124.2)	(124.2)	–	(124.2)
2013 interim dividend paid	–	–	–	–	–	–	–	–	(56.1)	(56.1)	–	(56.1)
Total transactions with owners	1.5	6.6	–	–	3.3	–	–	–	(180.3)	(168.9)	(0.7)	(169.6)
At 31 December 2013	667.6	3,273.6	(30.6)	178.1	15.5	64.1	76.5	751.0	15,897.9	20,893.7	1.5	20,895.2

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'M	2013 HK$'M
Cash flows from operating activities			
Profit from operations			
– continuing operations		2,147.7	2,722.7
– discontinued operations	39	–	6.4
		2,147.7	2,729.1
Adjustments for:			
Change in fair value of investment properties	15	(1,593.0)	(2,084.4)
Gain on disposal of an available-for-sale financial asset		–	(1.2)
Gain on disposal of an associate		–	(29.5)
Gain on return of investment of an available-for-sale financial asset		–	(59.4)
Net loss on disposal of other properties, plant and equipment		3.5	1.1
Impairment loss of other properties, plant and equipment		–	0.2
Depreciation and amortisation			
– trademark		–	0.1
– land use rights		–	0.1
– other properties, plant and equipment		10.8	19.9
Net fair value loss/(gain) on derivative financial instruments		20.4	(21.7)
Loss/(gain) on financial liabilities at fair value through profit or loss classified under other long-term liability		33.4	(15.0)
Write-off of deposits and loan receivables		1.5	1.9
Share-based compensation expenses		10.1	11.4
Write-back of provision for trade receivables		–	(0.1)
Provision for impairment on loans to an associate		2.9	0.1
Amortisation of interest income on held-to-maturity investments		(1.6)	(6.4)
Operating cash flows before movements in working capital		635.7	546.2
Decrease in inventories		–	16.8
Decrease/(increase) in properties for sale		139.1	(92.7)
Decrease/(increase) in trade and other receivables, deposits and prepayments		1,101.2	(97.8)
Decrease in sales proceeds held in stakeholders' accounts		113.3	59.7
Decrease in trade and other payables and accruals		(321.6)	(22.9)
Increase in restricted bank deposits		(2.9)	(0.1)
Net cash generated from operations		1,664.8	409.2
Interest income received		13.9	13.2
Coupon received from held-to-maturity investments		2.1	1.0
Interest paid on bank and other borrowings		(125.0)	(161.7)
Hong Kong profits tax paid		(88.7)	(21.0)
Tax paid in other jurisdictions		–	(0.2)
Net cash generated from operating activities		1,467.1	240.5

	Note	2014 HK$'M	2013 HK$'M
Cash flows from investing activities			
Additions of investment properties		(4.3)	(518.0)
Purchase of other properties, plant and equipment		(5.6)	(8.1)
Advances of loans to joint ventures		(180.1)	(390.0)
Repayments of loans to a joint venture		–	58.3
Repayments of loans to associates		–	6.3
Proceeds from disposal of other properties, plant and equipment		0.9	2.3
Proceeds from disposal of an associate		–	46.6
Proceeds from return of investment of an available-for-sale financial asset		–	63.6
Dividend income from a joint venture		20.0	–
Dividend income from associates		–	185.3
Purchase of a held-to-maturity investment		(39.5)	–
Cash received from a held-to-maturity investment upon maturity		51.4	62.0
Release/(placement) of deposits with bank with original maturity of more than three months		3.9	(58.4)
Net cash used in investing activities		(153.3)	(550.1)
Cash flows from financing activities			
Issue of fixed rate bonds		300.0	580.0
Direct issue costs incurred on fixed rate bonds		(4.6)	(13.8)
Cash settlement on derivative financial instruments		(35.9)	(13.7)
Bank and other borrowings raised		709.4	1,279.3
Repayments of bank and other borrowings		(1,747.4)	(1,237.2)
Dividends paid by the Company		(180.7)	(180.3)
Dividends paid to non-controlling shareholders		(0.3)	(0.7)
Net cash (used in)/generated from financing activities		(959.5)	413.6
Increase in cash and cash equivalents		354.3	104.0
Cash and cash equivalents at the beginning of the year		1,183.8	1,079.8
Cash and cash equivalents at the end of the year	27	1,538.1	1,183.8

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

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

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

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

In 2013, the Group ceased its garment manufacturing operations. The ceased business is presented as discontinued operations for the year ended 31 December 2013. Details of which are disclosed in Note 39 to the consolidated financial statements.

These consolidated financial statements are presented in millions of Hong Kong dollars (HK$'M), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap.32) for this financial year and the comparative period.

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

(i) New standards, revised standards, amendments and improvements to standards and interpretations of HKFRS effective for the current accounting period beginning on 1 January 2014 and relevant to the Group

HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Impairment of assets
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 27 (Amendment)	Consolidation for investment entities
HK (IFRIC) – Int 21	Levies

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Basis of preparation (Continued)

(ii) New standards, revised standards, amendments and improvements to standards and interpretations of HKFRS that are not yet effective in 2014 and have not been early adopted by the Group

The following new standards, revised standards, amendments and improvements to standards and interpretations to HKFRS that have been issued but are not yet effective for the year ended 31 December 2014:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 19 (2011) (Amendment)	Defined benefit plans – employee contributions	1 January 2015
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 7 (Amendment) and HKFRS 9 (Amendment)	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 28 (2011) (Amendment)	Investment entities: applying the consolidation exception	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sales or contribution of asset between an investor and its associate or joint venture	1 January 2016
HKFRS 11 (Amendment)	Acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
Annual improvements 2012		1 July 2014
Annual improvements 2013		1 July 2014
Annual improvements 2014		1 January 2016

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

(iii) New Hong Kong Companies Ordinance (Cap. 622) that is not yet effective in 2014

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Group's first financial year commencing on or after 3 March 2014 (i.e. the Group's financial year begins on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). The adoption of the requirements will primarily only affect the presentation and the disclosure of the information in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

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

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

Disposal of subsidiaries

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

(ii) Separate financial statements

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

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

(c) Joint ventures and associates

Associates

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint ventures and associates (Continued)

Joint arrangements

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

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

(f) Other properties, plant and equipment

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(g) Investment properties

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Properties for sale

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

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

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

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

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

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

(j) Financial assets

Classification

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

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

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

(ii) Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Classification (Continued)

(iii) Held-to-maturity financial assets

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

(iv) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

(k) Offsetting financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

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

(m) Derivative financial instruments and hedging activities

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

(i) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedge); or

(ii) hedges of a net investment in a foreign operation (net investment hedge).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 24. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

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

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

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

(ii) Net investment hedge

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

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

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

(n) Trade and other receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

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

(p) Share capital

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

(q) Trade payables

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

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

(r) Borrowings

Borrowings (including the bonds as disclosed in Note 29) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

(s) Other financial liabilities

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

Financial liabilities at fair value through profit or loss include other long-term liability disclosed in Note 31. They are initially recognised at fair value and transaction costs are expensed off immediately. Realised or unrealised gains or losses on financial liabilities are charged to the income statement in the period in which they arise. The fair value is estimated by discounting the estimated future contractual cash flows at the current market discount rate which considers the Group’s credit risk. Where applicable, a pricing adjustment is applied to arrive at the fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

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

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

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

(u) Current and deferred taxation

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

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

Outside basis differences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Current and deferred taxation (Continued)

(iii) Offsetting

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

(v) Employee benefits

(i) Employee leave entitlements

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

(ii) Termination benefits

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

(iii) Bonus plans

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

(iv) Retirement benefits cost

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

(v) Share-based payments

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

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

When the incentive shares are exercised (Note 33), the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the incentive shares are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Provisions

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

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

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

(x) Revenue recognition

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

(i) Income from properties developed for sale is recognised when the significant risks and rewards of the properties are transferred to the buyers and the collectability of related receivables is reasonably assured. Payments received from purchasers prior to this stage are recorded as deposits received, which are included in current liabilities.

(ii) Rental income from investment property is recognised on a straight-line basis over the period of the leases.

(iii) Property management income is recognised when the services are rendered.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income from investments is recognised when the Group's right to receive payment has been established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Operating leases

(i) Group as the lessee to operating leases

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

(ii) Group as the lessor to operating leases

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

(z) Finance leases

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

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

(aa) Contingent liabilities and contingent assets

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

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

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

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

(bb) Financial guarantee contracts

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

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

(cc) Dividend distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(dd) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single coordinated plan to dispose of a separate major line business or geographical area of operations, or is a subsidiary acquired exclusively with a view of sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier. It also occurs if the operation is abandoned.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Foreign exchange risk

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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group manages its foreign exchange risk by using cross currency swap contracts where appropriate.

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

At 31 December 2014, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, equity would have been HK$24.4M (2013: HK$20.0M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated available-for-sale financial assets.

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

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

(ii) Interest rate risk

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

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in Note 29 below. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose to the Group to fair value interest rate risk. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$6.1M (2013: HK$3.3M) lower/higher and capitalised interest on "properties for sale" would have been HK$2.6M (2013: HK$4.7M) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

In addition, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$16.1M (2013: HK$15.6M) higher or HK$17.0M (2013: HK$16.4M) lower, mainly as a result of gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualified for hedge accounting.

(iii) Price risk

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

At 31 December 2014, if market value of the Group's listed available-for-sale financial assets had increased/decreased by 10% (2013: 10%), with all other variables held constant, equity would have been HK$48.5M (2013: HK$39.7M) higher/lower before any further impairment. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(iv) Credit risk

The Group's credit risks are primarily attributable to the Group's cash at banks (Note 27), other financial assets (Note 21), deposits and loan receivables (Note 20), trade receivables from sale of properties and rent receivables from tenants (Note 23).

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

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

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

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

	THE GROUP			
	Less than 1 year HK$'M	**Between 1 and 2 years HK$'M**	**Between 2 and 5 years HK$'M**	**Over 5 years HK$'M**
At 31 December 2014				
Bank and other borrowings	182.5	574.8	1,726.9	2,289.3
Derivative financial instruments	18.9	14.0	28.4	94.2
Trade and other payables and accruals	220.0	10.1	–	–
Other long-term liability	–	–	–	91.5
Financial guarantees (Note)	–	571.4	965.0	–
Total	421.4	1,170.3	2,720.3	2,475.0
At 31 December 2013				
Bank and other borrowings	1,858.4	129.7	1,479.3	2,031.0
Derivative financial instruments	39.5	19.2	11.4	(6.6)
Trade and other payables and accruals	343.0	0.2	8.2	–
Other long-term liability	–	–	–	58.9
Financial guarantees (Note)	112.5	–	1,366.8	–
Total	2,353.4	149.1	2,865.7	2,083.3

Note:

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

	THE COMPANY			
	Less than 1 year HK$'M	**Between 1 and 2 years HK$'M**	**Between 2 and 5 years HK$'M**	**Over 5 years HK$'M**
At 31 December 2014				
Other payables	12.5	–	–	–
Financial guarantees (Note)	559.1	1,541.1	3,607.3	2,030.3
Total	571.6	1,541.1	3,607.3	2,030.3
At 31 December 2013				
Other payables	4.8	–	–	–
Financial guarantees (Note)	3,079.8	211.3	3,003.0	1,738.4
Total	3,084.6	211.3	3,003.0	1,738.4

Note:

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

(b) Capital management

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

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

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

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 HK$'M	**2013 HK$'M**
Bank and other borrowings	3,878.8	4,686.8
Less: Bank balances and cash	(1,592.6)	(1,242.2)
Net borrowings	2,286.2	3,444.6
Total equity	22,680.2	20,895.2
Gearing ratio	10.1%	16.5%

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

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

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

The following tables presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014 and 2013 (see Note 15 for disclosures of the investment properties that are measured at fair value).

	THE GROUP			
	Level 1 HK$'M	**Level 2 HK$'M**	**Level 3 HK$'M**	**Total HK$'M**
At 31 December 2014				
Assets				
Other financial assets				
Available-for-sale financial assets				
– listed securities	485.9	–	–	485.9
– unlisted securities	–	1.1	–	1.1
Derivative financial instruments				
– forward exchange contract	–	0.4	–	0.4
	485.9	1.5	–	487.4
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	16.6	–	16.6
– cross currency swap contracts	–	138.9	–	138.9
Other long-term liability	–	–	91.5	91.5
	–	155.5	91.5	247.0
At 31 December 2013				
Assets				
Other financial assets				
Available-for-sale financial assets				
– listed securities	399.5	–	–	399.5
– unlisted securities	–	2.1	–	2.1
Derivative financial instruments				
– interest rate swap contracts	–	30.2	–	30.2
	399.5	32.3	–	431.8
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	42.5	–	42.5
– cross currency swap contracts	–	51.2	–	51.2
Other long-term liability	–	–	58.9	58.9
	–	93.7	58.9	152.6

3. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) Fair value estimation (Continued)

There is no transfer between the different levels of fair value measurement hierarchy of financial instruments for the years ended 31 December 2014 and 2013.

(i) Financial instruments in Level 1:

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

(ii) Financial instruments in Level 2:

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

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

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

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

(iii) Financial instruments in Level 3:

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

Valuation processes of the Group

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

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

The fair value of the long-term liability is determined using a solvency valuation model and the significant unobservable inputs used in the fair value measurement are the forecast price inflation and investment return. The fair value measurement of the liability is positively correlated to the forecast price inflation and negatively correlated to the forecast investment return. As at 31 December 2014, it is estimated that with all other variables held constant, an increase in both the above unobservable inputs by 0.1% (2013: 0.1%) would have increased the Group's profit by HK$1.6M (2013: HK$0.9M).

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

	Other long-term liability	
	2014	**2013**
	HK$'M	**HK$'M**
Opening balance	(58.9)	(74.2)
Company's contributions	0.8	0.3
Fair value (loss)/gain recognised in the consolidated income statement (Note 14)	(33.4)	15.0
Closing balance	(91.5)	(58.9)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of investment properties

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

(b) Fair value of derivative financial instruments

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

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

If information on current or recent prices of financial liabilities at fair value through profit or loss is not available, the fair values of financial liabilities at fair value through profit or loss are determined using valuation techniques (including discounted cash flow model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 31.

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

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

(e) Net realisable values of properties for sale

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

(f) Impairment of trade receivables

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Impairment of assets

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

(h) Taxation

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

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

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

(i) Accrual of construction costs

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

5. REVENUE

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

	Continuing operations	
	2014	**2013**
	HK$'M	**HK$'M**
Sale of properties and project management income	944.0	1,009.9
Rental and property management income	816.1	704.4
Dividend income from available-for-sale financial assets	23.4	21.9
	1,783.5	1,736.2

6. SEGMENT INFORMATION

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

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

Garment Manufacturing segment ceased its operations in 2013 and was presented as discontinued operations for the year ended 31 December 2013.

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

6. SEGMENT INFORMATION (Continued)

	Continuing operations						Discontinued operations
	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Elimination HK$'M	Total HK$'M	Garment manufacturing HK$'M
For the year ended 31 December 2013							
REVENUE							
External sales	1,009.9	563.6	140.8	21.9	–	1,736.2	317.8
Inter-segment sales	–	14.9	–	–	(14.9)	–	–
Total	1,009.9	578.5	140.8	21.9	(14.9)	1,736.2	317.8
RESULTS							
Profit/(loss) before change in fair value of investment properties and financial instruments	124.6	437.3	49.8	(10.1)	–	601.6	6.4
Change in fair value of investment properties and financial instruments	–	1,985.9	98.2	37.0	–	2,121.1	–
Profit from operations	124.6	2,423.2	148.0	26.9	–	2,722.7	6.4
Finance costs	–	(101.7)	(17.4)	(72.7)	32.7	(159.1)	–
Finance income	0.4	1.6	7.1	37.1	(33.0)	13.2	–
Share of results of joint ventures	166.2	7.7	(10.4)	–	–	163.5	–
Share of results of associates	(1.6)	–	7.5	–	–	5.9	–
Profit/(loss) before taxation	289.6	2,330.8	134.8	(8.7)	(0.3)	2,746.2	6.4
Taxation						(91.4)	–
Profit for the year						2,654.8	6.4
Other items							
Depreciation and amortisation	8.1	3.7	0.1	4.0	–	15.9	4.2
(Gain)/loss on disposals of other properties, plant and equipment, net	–	(0.2)	–	0.1	–	(0.1)	1.2
Write back of trade receivables, net	–	–	–	–	–	–	(0.1)

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

6. SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2014 and 2013 and additions to non-current assets for the years then ended are as follows:

	Continuing operations					Discontinued operations	
	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Sub-total HK$'M	Garment manufacturing HK$'M	Total HK$'M
At 31 December 2014							
ASSETS							
Segment assets (Note a)	2,267.5	19,344.5	2,212.3	1,148.0	24,972.3	–	24,972.3
Investments in joint ventures and loans to joint ventures	1,852.8	432.9	102.4	–	2,388.1	–	2,388.1
Investments in associates and loans to associates	10.9	14.4	96.5	–	121.8	–	121.8
	4,131.2	19,791.8	2,411.2	1,148.0	27,482.2	–	27,482.2
Other assets					45.6	–	45.6
Consolidated total assets					27,527.8	–	27,527.8
LIABILITIES							
Segment liabilities (Note b)	(134.0)	(206.1)	(26.8)	(129.0)	(495.9)	–	(495.9)
Other liabilities					(4,351.7)	–	(4,351.7)
Consolidated total liabilities					(4,847.6)	–	(4,847.6)
Additions to non-current assets (Note c)	–	2.5	3.6	3.8	9.9	–	9.9
At 31 December 2013							
ASSETS							
Segment assets (Note a)	3,411.8	17,311.8	2,201.4	1,258.6	24,183.6	116.2	24,299.8
Investments in joint ventures and loans to joint ventures	1,722.1	405.6	110.5	–	2,238.2	–	2,238.2
Investments in associates and loans to associates	11.1	17.3	96.8	–	125.2	–	125.2
	5,145.0	17,734.7	2,408.7	1,258.6	26,547.0	116.2	26,663.2
Other assets					41.9	–	41.9
Consolidated total assets					26,588.9	116.2	26,705.1
LIABILITIES							
Segment liabilities (Note b)	(376.6)	(204.8)	(35.6)	(94.4)	(711.4)	(32.5)	(743.9)
Other liabilities					(5,066.0)	–	(5,066.0)
Consolidated total liabilities					(5,777.4)	(32.5)	(5,809.9)
Additions to non-current assets (Note c)	1.6	494.2	25.8	4.0	525.6	0.5	526.1

6. **SEGMENT INFORMATION (Continued)**

Notes:

(a) Segment assets consist primarily of investment properties, other properties, plant and equipment, other financial assets, deposits and loan receivables, properties for sale, trade and other receivables, deposits and prepayments, sales proceeds held in stakeholders' accounts, restricted bank deposits and bank balances and cash. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.

(b) Segment liabilities comprise operating liabilities. Other liabilities include tax payable, borrowings, deferred tax liabilities and derivative financial instruments.

(c) Additions to non-current assets comprise additions to investment properties and other properties, plant and equipment.

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

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

	Year ended 31 December Continuing operations	
	2014 HK$'M	2013 HK$'M
Hong Kong	1,702.7	1,664.9
The PRC	31.4	32.6
United Kingdom	21.4	12.9
Singapore	25.1	24.2
Others	2.9	1.6
	1,783.5	1,736.2

The followings are analysis of the Group's total assets, non-current assets other than financial instruments (including investments in joint ventures and associates, loans to joint ventures and associates, deposits and loan receivables, other financial assets and derivative financial instruments) and deferred tax assets, and additions to non-current assets by geographical areas in which the assets are located.

	Total assets At 31 December		Non-current assets other than financial instruments and deferred tax assets At 31 December		Additions to non-current assets (Note c) Year ended 31 December	
	2014 HK$'M	2013 HK$'M	2014 HK$'M	2013 HK$'M	2014 HK$'M	2013 HK$'M
Hong Kong	25,011.3	24,296.3	19,403.1	17,870.1	9.6	36.7
The PRC	1,073.9	1,063.9	501.1	490.9	0.3	0.6
United Kingdom	780.4	740.8	740.3	709.7	–	488.8
Singapore	537.5	464.8	–	–	–	–
North America	–	10.9	–	–	–	–
Others	124.7	128.4	–	–	–	–
	27,527.8	26,705.1	20,644.5	19,070.7	9.9	526.1

7. OTHER GAINS, NET

	Continuing operations	
	2014 HK$'M	2013 HK$'M
Amortisation of interest income on held-to-maturity investments	1.6	6.4
Compensation income arising from termination of a serviced residences operating agreement	8.1	–
Exchange (losses)/gains, net	(4.1)	2.6
(Loss)/gain on disposals of other properties, plant and equipment	(3.5)	0.1
Gain on disposal of an associate	–	29.5
Gain on disposal of an available-for-sale financial asset	–	1.2
Gain on disposal of other assets	4.4	–
Gain on return of investment of an available-for-sale finance asset	–	59.4
Provision for impairment on loans to an associate	(2.9)	(0.1)
Write-back of provisions for claims	1.0	6.1
Write-off of deposits and loan receivables	(1.5)	(1.9)
Others	4.9	2.3
	8.0	105.6

8. PROFIT FROM OPERATIONS

	Continuing operations	
	2014 HK$'M	2013 HK$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Staff costs including directors' remuneration	200.4	192.6
Retirement benefits costs, net of negligible forfeited contributions	8.2	6.8
Total staff costs (Note)	208.6	199.4
Share-based compensation expenses (Note)	10.1	11.4
Auditor's remuneration	4.4	5.9
Amortisation of trademark	–	0.1
Amortisation of land use rights	–	0.1
Cost of sales of properties included in cost of sales	680.1	762.0
Depreciation of other properties, plant and equipment (Note 16)	10.8	15.7
Direct operating expenses arising from investment properties generating rental income	147.1	128.6
Gain on disposal of an available-for-sale financial asset	–	(1.2)
Gain on return of investment of an available-for-sale financial asset	–	(59.4)
Gain on disposal of an associate	–	(29.5)
Loss/(gain) on disposal of other properties, plant and equipment	3.5	(0.1)

Note:

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

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	2014 HK$'M	2013 HK$'M
Directors' fees	1.7	1.8
Other directors' emoluments		
– Salaries and allowances	20.7	21.3
– Discretionary bonus	4.6	6.0
– Retirement benefits costs – defined contribution plan	0.9	1.0
Directors' emoluments	27.9	30.1
Value of incentive shares	5.9	7.3
	33.8	37.4

Details of the remuneration of directors for the year ended 31 December 2014 are as follows:

Name	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit costs - defined contribution plan HK$'000	Sub-total HK$'000	Fair value of incentive shares amortised in 2014 HK$'000 (Note 33)	Total HK$'000
Executive directors							
CHENG Wai Chee, Christopher	25	6,053	–	298	6,376	3,051	9,427
CHENG Wai Sun, Edward	25	9,354	3,772	463	13,614	3,051	16,665
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	25	3,505	788	175	4,493	473	4,966
AU Hing Lun, Dennis (resigned on 6 May 2014)	8	1,777	–	–	1,785	(669)	1,116
Non-executive directors							
KWOK Ping Luen, Raymond	60	–	–	–	60	–	60
HONG Pak Cheung, William	60	–	–	–	60	–	60
NG Tak Wai, Frederick	60	–	–	–	60	–	60
CHEN CHOU Mei Mei, Vivien	60	–	–	–	60	–	60
Independent non-executive directors							
Simon MURRAY	286	–	–	–	286	–	286
FANG Hung, Kenneth	237	–	–	–	237	–	237
YEUNG Kit Shing, Jackson	337	–	–	–	337	–	337
Haider Hatam Tyebjee BARMA	237	–	–	–	237	–	237
CHENG Hoi Chuen, Vincent	286	–	–	–	286	–	286
Total	1,731	20,689	4,560	936	27,916	5,906	33,822

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Details of the remuneration of directors for the year ended 31 December 2013 are as follows:

Name	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit costs - defined contribution plan HK$'000	Sub-total HK$'000	Fair value of incentive shares amortised in 2013 HK$'000 (Note 33)	Total HK$'000
Executive directors							
CHENG Wai Chee, Christopher	25	5,419	–	271	5,715	2,909	8,624
CHENG Wai Sun, Edward	25	8,420	3,725	389	12,559	2,909	15,468
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	25	3,319	747	166	4,257	260	4,517
AU Hing Lun, Dennis	25	4,167	1,500	192	5,884	1,247	7,131
Non-executive directors							
KWOK Ping Luen, Raymond	60	–	–	–	60	–	60
HONG Pak Cheung, William	60	–	–	–	60	–	60
NG Tak Wai, Frederick	60	–	–	–	60	15	75
CHEN CHOU Mei Mei, Vivien	60	–	–	–	60	–	60
YUNG Wing Chung (retired on 15 May 2013)	22	–	–	–	22	–	22
Independent non-executive directors							
Simon MURRAY	287	–	–	–	287	–	287
FANG Hung, Kenneth	237	–	–	–	237	–	237
YEUNG Kit Shing, Jackson	337	–	–	–	337	–	337
Haider Hatam Tyebjee BARMA	237	–	–	–	237	–	237
CHENG Hoi Chuen, Vincent (appointed on 1 February 2013)	261	–	–	–	261	–	261
Total	1,746	21,325	5,972	1,018	30,061	7,340	37,401

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil). None of the directors has waived any emoluments during the year (2013: Nil).

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals of the Group in 2014 included three (2013: three) executive directors of the Company whose emoluments are included above. The emoluments of the remaining two (2013: two) highest paid individuals are as follows:

	2014 HK$'M	2013 HK$'M
Salaries and allowances	7.3	4.9
Discretionary bonus	2.0	3.9
Retirement benefits costs – defined contribution plan	0.3	0.3
	9.6	9.1

The emoluments fell within the following bands:

	Number of individual 2014	2013
Emoluments bands		
HK$4,000,001 – HK$4,500,000	1	1
HK$4,500,001 – HK$5,000,000	–	1
HK$5,000,001 and above	1	–

10. FINANCE COSTS AND FINANCE INCOME

	2014 HK$'M	2013 HK$'M
Finance costs		
Interest expenses on:		
– bank and other borrowings wholly repayable within five years	73.9	83.6
– bank and other borrowings not wholly repayable within five years	84.7	83.4
Total borrowing costs	158.6	167.0
Less: interest capitalised in properties for sale (Note)	(28.5)	(7.9)
	130.1	159.1
Finance income		
– bank interest income	(6.3)	(6.5)
– other interest income	(7.6)	(6.7)
	(13.9)	(13.2)

Note:

The borrowing costs have been capitalised at rates ranging from 1.0% to 4.2% per annum (2013: 1.0% to 1.7% per annum).

11. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2014 HK$'M	2013 HK$'M
Current taxation		
– Hong Kong profits tax	51.2	60.8
– Over-provision in prior years	(26.4)	(1.2)
– Taxation in other jurisdictions	0.1	–
	24.9	59.6
Deferred taxation (Note 30)		
– Change in fair value of investment properties	11.0	12.2
– Temporary differences on tax depreciation	23.7	(17.0)
– Utilisation of tax losses	29.7	35.8
– Withholding tax	0.2	0.8
	64.6	31.8
Income tax expenses	89.5	91.4

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

	2014 HK$'M	2013 HK$'M
Profit before taxation from continuing operations	2,033.1	2,746.2
Tax calculated at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	335.5	453.1
Expenses not deductible for tax purpose	13.2	9.2
Income not subject tax	(266.8)	(372.4)
Net increase in unrecognised tax losses and other temporary differences	25.2	20.6
Effect of different tax rates of subsidiaries operating in other jurisdictions	3.1	3.0
Over-provision in prior years	(26.4)	(1.2)
Tax effect of share of results of joint ventures	–	(27.0)
Tax effect of share of results of associates	(0.4)	(1.0)
PRC land appreciation tax on change in fair value of investment properties (Note)	4.2	5.0
PRC land appreciation tax and other taxes deductible for calculation of income tax purpose	1.7	1.3
Withholding tax on undistributed earnings	0.2	0.8
Taxation for the year	89.5	91.4

11. TAXATION (Continued)

Note:

PRC land appreciation tax ("LAT") is provided at progressive rates ranging from 30% to 60% (2013: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

The tax charge relating to components of other comprehensive income is as follows:

		2014			2013	
	Before tax HK$'M	Tax charge HK$'M	After tax HK$'M	Before tax HK$'M	Tax charge HK$'M	After tax HK$'M
Net surplus arising on revaluation of land use rights and other properties, plant and equipment upon transfer to investment properties	–	–	–	16.7	(9.6)	7.1
Exchange differences on translation of foreign operations	(44.8)	–	(44.8)	13.5	–	13.5
Net fair value gain/(loss) arising from revaluation of available-for-sale financial assets	87.8	–	87.8	(50.0)	–	(50.0)
Net gain/(loss) on net investment hedge	0.6	–	0.6	(7.9)	–	(7.9)
Net (loss)/gain on cash flow hedge						
– Fair value (losses)/gains	(53.1)	–	(53.1)	33.5	–	33.5
– Realised upon settlement	26.9	–	26.9	45.6	–	45.6
– Release to profit or loss	(5.1)	–	(5.1)	–	–	–
Other comprehensive income for the year	12.3	–	12.3	51.4	(9.6)	41.8
Deferred taxation (Note 30)		–			(9.6)	

12. EARNINGS PER SHARE

(a) Basic

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

	2014	2013
Profit attributable to equity holders of the Company (expressed in HK$'M)		
– From continuing operations	1,943.6	2,654.6
– From discontinued operations	–	6.4
	1,943.6	2,661.0
Weighted average number of ordinary shares in issue	1,337,922,241	1,335,139,269
Basic earnings per share		
– From continuing operations	HK$1.45	HK$1.99
– From discontinued operations	–	–
	HK$1.45	HK$1.99

(b) Diluted

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

	2014	2013
Profit attributable to equity holders of the Company (expressed in HK$'M)		
– From continuing operations	1,943.6	2,654.6
– From discontinued operations	–	6.4
	1,943.6	2,661.0
Weighted average number of ordinary shares in issue	1,337,922,241	1,335,139,269
Effect of dilutive potential shares issuable under the Company's share incentive scheme	4,776,819	5,612,191
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,342,699,060	1,340,751,460
Diluted earnings per share		
– From continuing operations	HK$1.45	HK$1.98
– From discontinued operations	–	–
	HK$1.45	HK$1.98

13. DIVIDENDS

	2014 HK$'M	2013 HK$'M
Interim dividend paid on 3 October 2014 of HK4.2 cents (2013: HK4.2 cents) per ordinary share	56.2	56.1
Proposed final dividend of HK9.3 cents (2013: HK9.3 cents) per ordinary share	124.5	124.5
	180.7	180.6

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

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

	2014 HK$'M	2013 HK$'M
Change in fair value of investment properties (Note 15)	1,593.0	2,084.4
Net change in fair value of financial instruments		
– net fair value (loss)/gain on derivative financial instruments	(20.4)	21.7
– (loss)/gain on financial liabilities at fair value through profit or loss classified under other long-term liability (Note 31)	(33.4)	15.0
	(53.8)	36.7
	1,539.2	2,121.1

15. INVESTMENT PROPERTIES

	THE GROUP 2014 HK$'M	2013 HK$'M
At 1 January	19,002.7	16,321.5
Exchange differences	(55.4)	43.7
Additions	4.3	518.0
Finalisation of construction costs upon completion	–	(0.7)
Transfer from land use rights	–	5.8
Transfer from other properties, plant and equipment	–	30.0
Transfer from properties for sale	41.5	–
Net gain arising from change in fair value	1,593.0	2,084.4
At 31 December	20,586.1	19,002.7
Investment properties comprise:		
Properties in Hong Kong held on:		
Leases of over 50 years	1,819.6	1,730.0
Leases of between 10 to 50 years	17,525.2	16,072.1
Properties outside Hong Kong held on:		
Leases of over 50 years	382.8	370.6
Leases of between 10 to 50 years	118.2	120.3
Freehold properties outside Hong Kong	740.3	709.7
	20,586.1	19,002.7

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31 December 2014 and 2013 has been determined on the basis of valuations carried out by independent valuers not related to the Group. The Group engaged Savills Valuation and Professional Services Limited, Jones Long LaSalle Limited, Savills (UK) Limited and B.I. Appraisals Limited to value its investment properties. Discussion of valuation processes and results are held between the Group's management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date the Group's management:

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

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

15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

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

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

	Quoted prices in active market for identical assets (Level 1) HK$'M	Significant other observable inputs (Level 2) HK$'M	Significant unobservable inputs (Level 3) HK$'M
Recurring fair value measurements			
At 31 December 2014	–	5.8	20,580.3
At 31 December 2013	–	4.8	18,997.9

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

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

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

Fair value measurements using significant unobservable inputs (Level 3)

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

15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

Movements of investment properties under Level 3 measurements:

	Commercial properties HK$'M	Serviced apartments HK$'M	Industrial properties HK$'M	Others HK$'M	Total HK$'M
At 1 January 2014	14,887.7	2,070.6	1,908.0	131.6	18,997.9
Exchange differences	(43.7)	(8.8)	–	(2.9)	(55.4)
Change in fair value	1,293.7	27.4	253.8	17.1	1,592.0
Additions	0.5	3.6	0.2	–	4.3
Transfer from properties for sale	–	–	–	41.5	41.5
At 31 December 2014	16,138.2	2,092.8	2,162.0	187.3	20,580.3
At 1 January 2013	12,676.9	1,936.8	1,612.0	91.9	16,317.6
Exchange differences	31.6	9.8	–	2.3	43.7
Change in fair value	1,688.2	98.2	295.5	1.6	2,083.5
Finalisation of construction costs upon completion	(0.7)	–	–	–	(0.7)
Additions	491.7	25.8	0.5	–	518.0
Transfer from land use rights	–	–	–	5.8	5.8
Transfer from other properties, plant and equipment	–	–	–	30.0	30.0
At 31 December 2013	14,887.7	2,070.6	1,908.0	131.6	18,997.9

Significant inputs used to determine fair value of investment properties at 31 December 2014 and 2013:

		Range of significant unobservable inputs	
	Valuation method	Monthly market rents HK$/sq.ft.	Capitalisation rate %
At 31 December 2014			
Commercial properties	Income capitalisation and direct comparison	30 to 87	3.2 to 3.9
Serviced apartments	Income capitalisation and direct comparison	30 to 108	3.7 to 6.0
Industrial properties	Income capitalisation and direct comparison	9 to 12	3.2 to 4.4
At 31 December 2013			
Commercial properties	Income capitalisation and direct comparison	30 to 91	3.3 to 4.0
Serviced apartments	Income capitalisation and direct comparison	29 to 108	3.7 to 6.0
Industrial properties	Income capitalisation and direct comparison	8 to 12	3.4 to 4.8

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

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

16. OTHER PROPERTIES, PLANT AND EQUIPMENT

THE GROUP	Land and buildings HK$'M (Note a)	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
AT COST					
At 1 January 2014	49.1	87.0	12.0	37.0	185.1
Additions	–	2.5	3.1	–	5.6
Disposals	–	(23.8)	(3.2)	–	(27.0)
Write-off	–	(32.1)	–	(36.0)	(68.1)
At 31 December 2014	49.1	33.6	11.9	1.0	95.6
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2014	2.8	69.3	8.0	37.0	117.1
Provided for the year	0.5	8.6	1.7	–	10.8
Disposals	–	(19.8)	(2.8)	–	(22.6)
Write-off	–	(32.1)	–	(36.0)	(68.1)
At 31 December 2014	3.3	26.0	6.9	1.0	37.2
NET BOOK VALUE					
At 31 December 2014	45.8	7.6	5.0	–	58.4

16. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

THE GROUP	Land and buildings HK$'M (Note a)	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
AT COST					
At 1 January 2013	76.2	84.8	12.6	39.6	213.2
Additions	–	5.6	2.5	–	8.1
Disposals	–	(3.4)	(2.3)	(1.8)	(7.5)
Write-off	(7.1)	–	(0.8)	(0.8)	(8.7)
Fair value gain on buildings transferred to investment properties	14.0	–	–	–	14.0
Transfer to investment properties	(34.0)	–	–	–	(34.0)
At 31 December 2013	49.1	87.0	12.0	37.0	185.1
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	11.2	55.6	8.8	37.4	113.0
Provided for the year	2.2	14.9	1.8	1.0	19.9
Disposals	–	(2.8)	(2.0)	(1.8)	(6.6)
Impairment loss	–	1.6	0.2	1.2	3.0
Write-off	(6.6)	–	(0.8)	(0.8)	(8.2)
Transfer to investment properties	(4.0)	–	–	–	(4.0)
At 31 December 2013	2.8	69.3	8.0	37.0	117.1
NET BOOK VALUE					
At 31 December 2013	46.3	17.7	4.0	–	68.0

Note:

(a) Net book value of the Group's land and buildings comprises:

	THE GROUP 2014 HK$'M	THE GROUP 2013 HK$'M
Properties held on leases of over 50 years in Hong Kong	35.7	35.9
Properties held on leases of between 10 to 50 years in Hong Kong	10.1	10.4
	45.8	46.3

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2014 HK$'M	2013 HK$'M
Investments, at cost		
Unlisted shares	590.8	590.8
Loans to a subsidiary (Note a)	6,293.0	6,471.3
Interests in subsidiaries	6,883.8	7,062.1

Notes:

(a) Loans to a subsidiary are unsecured, interest free and not repayable within one year.

(b) Details of the principal subsidiaries at 31 December 2014 are set out in Note 42.

18. JOINT VENTURES

	THE GROUP 2014 HK$'M	2013 HK$'M
Share of net assets (Notes a & b)	482.3	511.5
Loans to joint ventures (Notes a & c)	1,905.8	1,726.7
	2,388.1	2,238.2

Details of the principal joint ventures at 31 December 2014 are set out in Note 43. Contingent liabilities relating to the Group's interest in the joint ventures are set out in Note 37.

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

	2014 HK$'M	2013 HK$'M
Investments in joint ventures:		
At 1 January	511.5	337.0
Exchange differences	(8.6)	11.0
Share of results	(0.6)	163.5
Dividend income from a joint venture	(20.0)	–
At 31 December	482.3	511.5
Loans to joint ventures:		
At 1 January	1,726.7	2,016.4
Exchange differences	(1.0)	(8.3)
Interest income on loans to joint ventures	6.4	6.6
Net advances to joint ventures	180.1	325.1
Reclassification to trade and other receivables, deposits and repayments grouped under current assets	(6.4)	(613.1)
At 31 December	1,905.8	1,726.7

18. JOINT VENTURES (Continued)

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

	2014 HK$'M	2013 HK$'M
Revenue	283.6	639.2
Profit from operations	4.8	197.8
Finance costs	(10.4)	(7.1)
Finance income	2.8	1.8
(Loss)/profit before taxation	(2.8)	192.5
Taxation	2.2	(29.0)
(Loss)/profit for the year	(0.6)	163.5
Other comprehensive income	(8.6)	11.0
Total comprehensive income	(9.2)	174.5
Non-current assets		
– Investment properties	1,166.4	1,168.3
– Other non-current assets	49.9	16.7
Current assets		
– Properties for sale	3,391.9	3,431.5
– Bank balances and cash	203.3	279.1
– Other current assets	203.4	396.4
Total assets	5,014.9	5,292.0
Current liabilities		
– Amounts due to shareholders	(589.9)	(996.3)
– Bank and other borrowings	(3.1)	(0.6)
– Other current liabilities	(215.0)	(287.2)
Non-current liabilities		
– Loans to shareholders	(1,905.8)	(1,726.7)
– Bank and other borrowings	(1,698.5)	(1,642.7)
– Other non-current liabilities	(120.3)	(127.0)
Total liabilities	(4,532.6)	(4,780.5)
Net assets	482.3	511.5

18. JOINT VENTURES (Continued)

(c) Loans to joint ventures are unsecured, not repayable within one year and approximate their fair value. Other than loans of HK$120.7M (2013: HK$121.1M) which bear interest at a fixed rate of 5% per annum (2013: 5%), the remaining balances are interest free.

They are denominated in the following currencies:

	2014 HK$'M	2013 HK$'M
HK dollars	1,775.9	1,595.9
Malaysian Ringgit	120.7	121.1
UK pound	9.2	9.7
	1,905.8	1,726.7

19. ASSOCIATES

	THE GROUP 2014 HK$'M	THE GROUP 2013 HK$'M
Share of net assets (Notes a & b)	100.0	100.5
Loans to associates (Notes a & c)	21.8	24.7
	121.8	125.2

Details of the principal associates at 31 December 2014 are set out in Note 44. Contingent liabilities relating to the Group's interest in the associates are set out in Note 37.

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

	2014 HK$'M	2013 HK$'M
Investments in associates:		
At 1 January	100.5	281.3
Exchange differences	(2.7)	(1.4)
Share of results	2.2	5.9
Dividends from associates	–	(185.3)
At 31 December	100.0	100.5
Loans to associates:		
At 1 January	24.7	31.2
Exchange differences	–	(0.1)
Impairment on loans to an associate	(2.9)	(0.1)
Net repayment on loans to associates	–	(6.3)
At 31 December	21.8	24.7

19. ASSOCIATES (Continued)

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

	2014 HK$'M	2013 HK$'M
Revenue	15.0	118.2
Profit for the year	2.2	5.9
Other comprehensive income	(2.7)	(1.4)
Total comprehensive income	(0.5)	4.5
Net assets	100.0	100.5

(c) Loans to associates are unsecured and not repayable within one year. All balances as at 31 December 2014 and 2013 are interest free.

They are denominated in the following currencies:

	2014 HK$'M	2013 HK$'M
Renminbi	14.4	17.3
US dollars	6.7	6.7
HK dollars	0.7	0.7
	21.8	24.7

Impairment of HK$2.9M (2013: HK$0.1M) has been made in respect of an aggregate loan amount of HK$14.4M (2013: HK$17.3M). The remaining balance is not impaired.

20. DEPOSITS AND LOAN RECEIVABLES

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Consideration receivables (Note a)	17.2	19.8
Others	0.3	0.3
	17.5	20.1
Analysed as		
Non-current	17.5	20.1

Note:

(a) Consideration receivables represent estimated subsequent purchase price receivable from the purchaser for 18 years on disposal of a business in 2012. They are denominated in UK pound.

21. OTHER FINANCIAL ASSETS

	THE GROUP 2014 HK$'M	2013 HK$'M
Held-to-maturity investments		
Unlisted debt and other investments (Note a)	38.9	51.3
Available-for-sale financial assets		
Equity securities listed overseas (Note b)	485.9	399.5
Unlisted other investment	1.1	2.1
	487.0	401.6
Total	525.9	452.9
Analysed as		
Non-current	487.0	401.6
Current	38.9	51.3
	525.9	452.9

Notes:

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

	2014 HK$'M	2013 HK$'M
At 1 January	51.3	107.9
Additions	39.5	–
Amortised to the consolidated income statement (Note 7)	1.6	6.4
Cash received upon maturity	(51.4)	(62.0)
Coupon received	(2.1)	(1.0)
	38.9	51.3

They are denominated in the following currencies:

	2014 HK$'M	2013 HK$'M
Renminbi	38.9	–
HK dollars	–	31.9
US dollars	–	19.4
	38.9	51.3

They are carried at amortised cost, which approximates their fair value.

21. OTHER FINANCIAL ASSETS (Continued)

Notes (Continued):

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

	2014 HK$'M	2013 HK$'M
The equity securities are listed in:		
– Singapore	485.4	397.5
– United Kingdom	0.5	2.0
	485.9	399.5
They are denominated in the following currencies:		
– Singapore dollars	485.4	397.5
– UK pound	0.5	2.0
	485.9	399.5
Market value of equity securities listed overseas	485.9	399.5

22. PROPERTIES FOR SALE

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Properties under development held for sale	1,056.7	1,131.6
Completed properties	265.5	293.4
	1,322.2	1,425.0
Net book value of leasehold land of leases of		
– over 50 years in Hong Kong	36.3	622.7
– between 10 to 50 years in Hong Kong	1,143.6	563.2
	1,179.9	1,185.9

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Trade receivables	99.4	793.4
Deferred rent receivables	12.5	10.3
Amounts due from and loans to joint ventures	589.9	996.3
Amounts due from and loans to associates	1.2	6.2
Other receivables, deposits and prepayments	74.0	79.7
	777.0	1,885.9

(a) The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.

(b) The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at 31 December, based on the due dates:

	2014 HK$'M	2013 HK$'M
Not yet due	87.7	779.4
1 – 30 days	3.1	5.6
31 – 90 days	5.8	6.2
Over 90 days	2.8	2.2
	99.4	793.4

(c) As of 31 December 2014, trade receivables of HK$11.7M (2013: HK$14.0M) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default and certain of the debts are covered by rental deposits received. The ageing analysis of these trade receivables is presented above.

(d) As of 31 December 2014, all trade receivables were not impaired (2013: Nil).

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

	2014 HK$'M	2013 HK$'M
HK dollars	93.1	769.5
US dollars	–	12.7
Other currencies	6.3	11.2
	99.4	793.4

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

(f) Movements on the provision for impairment of trade receivables are as follows:

	2014 HK$'M	2013 HK$'M
At 1 January	–	0.3
Write-back of provision	–	(0.1)
Release of provision for impairment resulting from write off of receivables	–	(0.2)
At 31 December	–	–

(g) The creation and release of provision for impaired trade receivables have been charged/credited to the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(h) The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above. At 31 December 2014, trade receivables in respect of property sales were HK$80.6M (2013: HK$758.4M). To mitigate majority of its credit risk, the Group possessed the properties as collaterals.

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

(j) At 31 December 2014, none of the other receivables and deposits was past due nor contain impaired assets (2013: Nil).

24. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP			
	2014		2013	
	Assets HK$'M	Liabilities HK$'M	Assets HK$'M	Liabilities HK$'M
Interest rate swap contracts (Note a)				
– cash flow hedges	–	–	–	(28.1)
– not qualifying as hedges	–	(16.6)	30.2	(14.4)
	–	(16.6)	30.2	(42.5)
Cross currency swap contracts (Note a)				
– cash flow hedges	–	(131.3)	–	(42.2)
– net investment hedges	–	(7.6)	–	(9.0)
	–	(138.9)	–	(51.2)
Forward exchange contracts (Note a)				
– cash flow hedges	0.4	–	–	–
	0.4	(155.5)	30.2	(93.7)
Analysed as				
Non-current	–	(136.6)	30.2	(54.2)
Current	0.4	(18.9)	–	(39.5)
	0.4	(155.5)	30.2	(93.7)

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note:

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

	2014 HK$'M	2013 HK$'M
Interest rate swap contracts	830.2	1,650.8
Cross currency swap contracts	1,098.2	1,140.2
Forward exchange contracts	37.4	–

The portion of changes in fair value of interest rate swap contracts not qualify as hedges are recognised in the income statement and amounted to losses of HK$20.4M (2013: gains of HK$21.7M).

At 31 December 2014, the fixed interest rates under interest rate swap contracts ranges from 1.7% to 4.6% per annum (2013: 1.7% to 4.7% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as at 31 December 2014 are recognised in the hedging reserve in equity and are released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank Offered Rate (HIBOR) or London Interbank Offered Rate (LIBOR).

25. SALES PROCEEDS HELD IN STAKEHOLDERS' ACCOUNTS

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

26. RESTRICTED BANK DEPOSITS

As at 31 December 2014, the Group held deposits of HK$13.5M (2013: HK$10.6M) received from owners of certain properties which are used exclusively for the purpose of management of the respective properties. The amounts are unsecured. The deposits with the same amount are held by the Group in a separate bank account as restricted bank deposit. They are denominated in HK dollars.

The carrying amounts of the balances approximate their fair values.

27. BANK BALANCES AND CASH

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

	THE GROUP		THE COMPANY	
	2014 HK$'M	2013 HK$'M	2014 HK$'M	2013 HK$'M
Bank balances and cash	1,592.6	1,242.2	0.2	0.2
Less: Deposits with maturity of more than three months	(54.5)	(58.4)	–	–
Cash and cash equivalents in consolidated cash flow statement	1,538.1	1,183.8	0.2	0.2

Bank balances and cash include short-term bank time deposits of HK$1,172.2M (2013: HK$798.3M) with an average interest rate of 1.0% (2013: 1.3%) per annum.

27. BANK BALANCES AND CASH (Continued)

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

	2014 HK$'M	2013 HK$'M
HK dollars	1,539.7	1,035.3
Renminbi	35.4	32.4
UK pound	12.5	16.7
US dollars	2.6	75.9
Singapore dollars	2.4	80.9
Other currencies	–	1.0
	1,592.6	1,242.2
Maximum exposure to credit risk	1,591.6	1,240.8

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Trade payables	5.7	35.3
Properties sale deposits received	6.2	173.0
Rental deposits received	162.2	150.5
Construction costs payable	64.6	116.8
Amounts due to joint ventures	1.2	12.1
Amounts due to associates	0.2	0.4
Provision for other costs arising from disposal of subsidiaries	6.0	10.0
Other creditors and accruals	158.3	186.8
	404.4	684.9

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

	2014 HK$'M	2013 HK$'M
0 – 30 days	4.7	33.6
31 – 90 days	0.4	1.1
Over 90 days	0.6	0.6
	5.7	35.3

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

28. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

Trade payables are denominated in the following currencies:

	2014 HK$'M	2013 HK$'M
HK dollars	5.2	34.1
Renminbi	0.5	0.9
US dollars	–	0.3
	5.7	35.3

Included in other payables and accruals are balances of HK$31.6M (2013: HK$17.7M) and HK$14.0M (2013: HK$20.7M) which are denominated in UK pound and Renminbi respectively. The remaining balances are mainly denominated in HK dollars.

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

29. BANK AND OTHER BORROWINGS

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Bank borrowings (Note a)	2,016.2	3,082.2
Fixed rate bonds (Note b)	1,862.6	1,604.6
	3,878.8	4,686.8

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

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Within one year	63.8	1,739.7
Between one to two years	459.1	32.4
Between two to five years	1,427.3	1,236.1
After five years	1,928.6	1,678.6
	3,878.8	4,686.8
Less: Amounts due within one year shown under current liabilities	(63.8)	(1,739.7)
Amounts due after one year	3,815.0	2,947.1
Analysed as		
Secured	2,016.2	3,082.2
Unsecured	1,862.6	1,604.6
	3,878.8	4,686.8

29. BANK AND OTHER BORROWINGS (Continued)

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

	THE GROUP	
	2014 **HK$'M**	**2013** **HK$'M**
HK dollars	2,359.4	3,069.4
Singapore dollars	992.8	1,033.4
UK pound	433.1	464.2
Renminbi	93.5	100.4
US dollars	–	19.4
	3,878.8	4,686.8

Notes:

(a) Bank borrowings are secured by certain properties and other financial assets of the Group amounting to HK$6,425.5M (2013: HK$17,767.7M) (Note 38). The bank borrowings bear interests at floating interest rates.

(b) Details of the Group's fixed rate bonds at 31 December 2014 are as follows:

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

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

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

(c) The bank and other borrowings have an average effective interest rate of 3.0% (2013: 2.5%) per annum.

(d) As at 31 December 2014 and 2013, the Group had cross currency swap arrangements with banks to swap the fixed rate bonds of principal SGD170 million and the relevant interest payments to Hong Kong dollar to match the currency exposures of the fixed rate bonds.

(e) As at 31 December 2014 and 2013, the Group had cross currency swap arrangements with a bank to swap the fixed rate bonds of principal HK$100 million and the relevant interest payments to UK pounds to match the currency exposures of one of the Group's UK investments.

(f) The carrying amounts of fixed rate bonds approximate their fair values.

30. DEFERRED TAXATION

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

	THE GROUP	
	2014 HK$'M	**2013 HK$'M**
Deferred tax liabilities	271.2	213.9
Deferred tax assets	(4.5)	(9.4)
	266.7	204.5

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

	Tax depreciation HK$'M	**Revaluation of properties HK$'M**	**Tax losses HK$'M**	**Undistributed earnings HK$'M**	**Total HK$'M**
At 1 January 2014	154.2	86.7	(43.3)	6.9	204.5
Exchange adjustments	–	(2.4)	–	–	(2.4)
Charge to the consolidated income statement for the year (Note 11)	23.7	11.0	29.7	0.2	64.6
At 31 December 2014	177.9	95.3	(13.6)	7.1	266.7
At 1 January 2013	171.2	62.6	(79.1)	6.1	160.8
Exchange adjustments	–	2.3	–	–	2.3
Charge to the consolidated income statement for the year (Note 11)	(17.0)	12.2	35.8	0.8	31.8
Charge to reserve for the year (Note 11)	–	9.6	–	–	9.6
At 31 December 2013	154.2	86.7	(43.3)	6.9	204.5

At 31 December 2014, the Group has unused tax losses and other temporary differences of approximately HK$1,078.6M (2013: HK$1,141.8M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$82.0M (2013: HK$262.0M) of such unused tax losses for which the realisation of the related tax benefit through the future taxable profits is probable. No deferred tax asset has been recognised in respect of the remaining tax losses and other temporary differences of HK$996.6M (2013: HK$879.8M) due to the unpredictability of future profit streams of some of the subsidiaries. Included in unrecognised tax losses are losses of HK$69.1M (2013: HK$63.0M) that will expire in the next five years. Other losses may be carried forward indefinitely.

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

31. OTHER LONG-TERM LIABILITY

Other long-term liability represents provision for liabilities in relation to indemnifying the purchaser against the cost of winding up the pension scheme of Gieves & Hawkes Group in the disposal of Gieves & Hawkes Group in 2012. The amount is measured at fair value and the key assumptions include investment return of 1.83% (2013: 3.50%), price inflation of 3.3% (2013: 3.95%), pension increases of 2.4% to 3.25% (2013: 2.50% to 3.85%) and numerous demographic assumptions have been used in the fair value estimates. There is unconditional right to defer payment for more than 12 months.

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.50 each	Amount HK$'M
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2013	1,332,257,279	666.1
Issue of shares on exercise of incentive shares (Note 33)	3,040,250	1.5
At 31 December 2013	1,335,297,529	667.6
At 1 January 2014	1,335,297,529	667.6
Issue of shares on exercise of incentive shares (Note 33)	3,308,000	1.7
At 31 December 2014	1,338,605,529	669.3

33. SHARE INCENTIVE SCHEME

Under a Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of the Group ("Eligible Employees") to subscribe in cash at par for shares of the Company. The maximum number of shares of the Company which may be issued in response to the awards and any other incentive and option schemes of the Company (excluding lapsed awards and options) shall not in aggregate exceed 52,625,533 representing 10% of the issued share capital of the Company as at 17 June 2005. At 31 December 2014, the total number of shares available for issue, save for those granted but yet to be exercised or subscribed for, under the Share Incentive Scheme aggregated to 24,031,828 shares, which represented approximately 1.8% of the issued share capital of the Company as at the date of this annual report.

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

A consideration of HK$1 is payable on the acceptances of the offer of awards. Offer of awards must be accepted within 28 days from the date of offer. The subscription price for each share which is the subject of an award shall be an amount equal to its nominal value. Each subscription under the Share Incentive Scheme shall be in cash at the subscription price. The Company will provide to the Eligible Employees the funds required to subscribe for the shares issued under the Share Incentive Scheme. The Share Incentive Scheme will end on 16 June 2015.

33. SHARE INCENTIVE SCHEME (Continued)

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

		Number of incentive shares					
	Date of award	As at 1.1.2014	Awarded during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2014	Fair value of incentive shares amortised in 2014 HK$
Directors							
CHENG Wai Chee, Christopher	31.3.2011	579,000	–	(579,000)	–	–	19,000
	24.5.2012	1,100,000	–	(550,000)	–	550,000	675,000
	6.5.2013	643,000	–	(160,750)	–	482,250	1,023,000
	28.5.2014	–	786,000	–	–	786,000	1,334,000
CHENG Wai Sun, Edward	31.3.2011	386,000	–	(386,000)	–	–	19,000
	24.5.2012	825,000	–	(275,000)	–	550,000	675,000
	6.5.2013	643,000	–	(160,750)	–	482,250	1,023,000
	28.5.2014	–	786,000	–	–	786,000	1,334,000
CHOW Wai Wai, John	6.5.2013	129,000	–	(32,250)	–	96,750	205,000
	28.5.2014	–	158,000	–	–	158,000	268,000
AU Hing Lun, Dennis	31.3.2011	162,500	–	(162,500)	–	–	8,000
(resigned as director on	24.5.2012	345,000	–	(115,000)	(230,000)	–	(428,000)
6 May 2014)	6.5.2013	283,000	–	(70,750)	(212,250)	–	(249,000)
NG Tak Wai, Frederick	31.3.2011	14,000	–	(14,000)	–	–	–
		5,109,500	1,730,000	(2,506,000)	(442,250)	3,891,250	5,906,000
Employees	31.3.2011	406,000	–	(406,000)	–	–	20,000
	24.5.2012	810,000	–	(270,000)	–	540,000	651,000
	6.5.2013	504,000	–	(126,000)	–	378,000	786,000
	28.5.2014	–	632,000	–	–	632,000	1,069,000
		1,720,000	632,000	(802,000)	–	1,550,000	2,526,000
Total		6,829,500	2,362,000	(3,308,000)	(442,250)	5,441,250	8,432,000

The incentive shares awarded are subject to a vesting scale of 25%, 25% and 50% starting respectively from the first anniversary, the second anniversary and the third anniversary of the provisional date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the provisional date of award. During the year ended 31 December 2014, 2,362,000 (2013: 2,202,000) incentive shares were awarded and 3,308,000 (2013: 3,040,250) incentive shares were vested and exercised.

At 28 May 2014 (2013: 6 May 2013), being the date of awards, the closing price of the shares of the Company as quoted on the Stock Exchange was HK$4.66 (2013: HK$5.35) per share.

33. SHARE INCENTIVE SCHEME (Continued)

(a) Fair values of incentive shares awarded

The fair values of incentive shares awarded during the year ended 31 December 2014 are determined using the Binominal Option Pricing Model (the "Model"). Key assumptions of the Model are:

Risk-free rate	1.91%
Expected dividend yield	2.67%
Expected volatility of the market price of the Company's shares	34.48%
Expected life	10 years from the date of grant

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

The fair value of the incentive shares awarded during the year ended 31 December 2014 were HK$9.1M (2013: HK$9.9M).

34. RESERVES

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

(b) Movements on the reserves of the Company are as follows:

	Share premium HK$'M	Employee share-based compensation reserve HK$'M	Retained profits HK$'M	Total HK$'M
THE COMPANY				
At 1 January 2013	3,267.0	12.2	3,300.0	6,579.2
Value of employee services relating to grants of incentive shares	–	9.9	–	9.9
Incentive shares exercised	6.6	(6.6)	–	–
2012 final dividend paid	–	–	(124.2)	(124.2)
2013 interim dividend paid	–	–	(56.1)	(56.1)
Loss for the year	–	–	(18.3)	(18.3)
At 31 December 2013	3,273.6	15.5	3,101.4	6,390.5
At 1 January 2014	3,273.6	15.5	3,101.4	6,390.5
Value of employee services relating to grants of incentive shares	–	9.4	–	9.4
Value of employee services relating to lapse of incentive shares	–	(1.0)	–	(1.0)
Incentive shares exercised	10.2	(10.2)	–	–
2013 final dividend paid	–	–	(124.5)	(124.5)
2014 interim dividend paid	–	–	(56.2)	(56.2)
Loss for the year	–	–	(15.3)	(15.3)
At 31 December 2014	3,283.8	13.7	2,905.4	6,202.9

Distributable reserve of the Company at 31 December 2014 amounted to HK$2,919.1M (2013: HK$3,116.9M).

34. RESERVES (Continued)

(c) Nature and purpose of reserves – The Group

(i) Share premium

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

(ii) Hedging reserve

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

(iii) Investment revaluation reserve

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

(iv) Employee share-based compensation reserve

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

(v) Other property revaluation reserve

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

(vi) Translation reserve

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

(vii) Contributed surplus

The balance of contributed surplus of the Group arose as a results of (1) the Group reorganisation described in Note (d) (iii) below and (2) gains on bargain purchases rising from changes in ownership interests in subsidiaries that do not result in a change of control, which is dealt with in accordance with the accounting policy in Note 2(b).

(d) Nature and purpose of reserves – The Company

(i) Share premium

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

(ii) Employee share-based compensation reserve

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

34. RESERVES (Continued)

(d) Nature and purpose of reserves – The Company (Continued)

(iii) Contributed surplus

The balance of contributed surplus of the Company arose as a result of the Group reorganisation in 1991 and the Company's capital reduction in 1996 less distributions made.

Under The Companies Act 1981 of Bermuda (as amended), contributed surplus of a company is available for distribution to shareholders in addition to accumulated profits. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

35. OPERATING LEASES

THE GROUP AS LESSEE

	Continuing operations	
	2014 HK$'M	**2013 HK$'M**
Minimum lease payments charged to the consolidated income statement during the year		
– land and buildings	1.0	3.8

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2014, the future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2014 HK$'M	**2013 HK$'M**
For buildings		
– Within one year	0.6	0.9
– After one year and not later than five years	0.1	0.1
	0.7	1.0

THE GROUP AS LESSOR

	Continuing operations	
	2014 HK$'M	**2013 HK$'M**
Gross rental income from tenancies credited to the consolidated income statement during the year	786.2	674.5
Less: Outgoings	(102.4)	(50.9)
	683.8	623.6

35. OPERATING LEASES (Continued)

The Group's investment properties are held for rental purposes. Rental income is fixed and predetermined. The majority of the relevant tenancy periods range from 2 to 3 years. At 31 December 2014, the amount of future rental receivable by the Group is analysed as follows:

	2014 HK$'M	2013 HK$'M
Within one year	586.5	472.2
After one year and not later than five years	609.3	549.0
Over five years	38.2	47.6
	1,234.0	1,068.8

The Company had no significant operating lease commitments at the balance sheet dates.

36. COMMITMENTS

	THE GROUP	
	2014 HK$'M	2013 HK$'M
Expenditure in respect of investment properties		
– contracted but not provided for	1.6	2.0
Expenditure in respect of acquisition of other properties, plant and equipment		
– contracted but not provided for	–	2.1
Capital injection to joint ventures		
– contracted but not provided for	393.2	460.8
	394.8	464.9

The Company had no capital commitment at the balance sheet dates.

37. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

	THE GROUP		THE COMPANY	
	2014 HK$'M	2013 HK$'M	2014 HK$'M	2013 HK$'M
Guarantees given to banks in respect of bank facilities extend to				
– subsidiaries	–	–	5,418.2	6,525.0
– joint ventures	2,745.1	2,752.5	2,745.1	2,752.5
– an associate	112.5	112.5	112.5	112.5
Guarantees given to bonds holders (Note 29)	–	–	1,862.6	1,604.6
	2,857.6	2,865.0	10,138.4	10,994.6

At 31 December 2014, bank loans of HK$4,237.0M (2013: HK$3,062.9M), HK$1,701.6M (2013: HK$1,366.8M) and HK$112.5M (2013: HK$112.5M) being guaranteed by the Company to subsidiaries, joint ventures and an associate respectively have been drawn down.

38. PLEDGE OF ASSETS

(a) At 31 December 2014, the Group's advances to associates/joint ventures of HK$1,530.8M (2013: HK$1,384.9M) which were subordinated to loans facilities of associates/joint ventures and assigned. The associates/joint ventures are engaged in property development and hospitality investment and management. The shares in these associates/joint ventures beneficially owned by the Group are pledged to financial institutions.

(b) At 31 December 2014, several of the Group's assets were pledged to secure credit facilities for the Group:

	2014 HK$'M	**2013 HK$'M**
Investment properties	4,995.1	16,037.3
Properties for sale	1,056.8	1,421.0
Other financial assets	373.6	309.4
	6,425.5	17,767.7

The credit facilities were utilised to the extent of HK$2,016.2M (2013: HK$3,082.2M)

39. DISCONTINUED OPERATIONS

In October 2013, the Group decided to cease its garment manufacturing operations. Accordingly, provision for closure costs as at 31 December 2013 was HK$18.8M, out of which HK$17.9M was utilised by 31 December 2014.

Financial information relating to cessation of garment manufacturing operations for the year ended 31 December 2013:

	HK$'M
Revenue	317.8
Cost of sales	(253.5)
Other gains, net	5.2
Selling and distribution costs	(2.6)
Administrative expenses	(60.5)
Profit before taxation from discontinued operations	6.4
Taxation	–
Profit before taxation from discontinued operations attributable to equity holders of the Company	6.4

The net cash flows attributable to the discontinued operations for the year ended 31 December 2013 were as follows:

	HK$'M
Net cash generated from operating activities	0.1
Net cash generated from investing activities	2.4
Total net cash inflows	2.5

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	THE GROUP 2014 HK$'M	2013 HK$'M
Key management compensation (Note)		
Salaries and other benefits	(27.0)	(29.1)
Retirement benefits costs	(0.9)	(1.0)
Value of incentive shares	(5.9)	(7.3)
	(33.8)	(37.4)
Interest income from loans to joint ventures	6.4	6.6
Project management fee income from joint ventures	19.5	5.1
Serviced apartment management fee income from associates	2.4	2.3
Serviced apartment management and license fee income from a joint venture of the Company	1.0	–
Serviced apartment management and license fee income from a substantial shareholder of the Company	3.9	3.9
Property rental income from a substantial shareholder of the Company	4.5	4.4

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

Note:

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

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

	THE GROUP 2014 HK$'M	2013 HK$'M
Loans to joint ventures (Note 18)	1,905.8	1,726.7
Amounts due from and loans to joint ventures (Note 23)	589.9	996.3
Amounts due to joint ventures (Note 28)	1.2	12.1
Loans to associates (Note 19)	21.8	24.7
Amounts due from and loans to associates (Note 23)	1.2	6.2
Amounts due to associates (Note 28)	0.2	0.4

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

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation as a result of changes in presentation of the consolidated income statement.

42. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2014 are as follows:

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

Notes:

1. only Wing Tai Properties (B.V.I.) Limited and Wing Tai Properties Investment Limited are directly held by the Company.

2. represents a wholly owned foreign enterprise established in the People's Republic of China.

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

Significant restrictions

Cash and short-term deposits of HK$29.7M (2013: HK$32.6M) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividend.

43. PRINCIPAL JOINT VENTURES

Details of the principal joint ventures at 31 December 2014 are as follows:

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

Note:

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

The Group's percentage of shareholding, profit sharing and voting power of each of the above principal joint venture are the same.

44. PRINCIPAL ASSOCIATES

Details of the principal associates at 31 December 2014 are as follows:

Name of associate	Place of incorporation/ operation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities	Note
Shanghai Jinlin Tiandi Serviced Apartment Management Co., Ltd.	People's Republic of China	23.4%	Property investment	1
Smart Gainful Limited	Hong Kong	33.3%	Provision of second mortgage financing	
Winquest Investment Pte. Ltd.	Singapore	30.0%	Property development	
China Merchants International Cold Chain (Shenzhen) Company Ltd.	People's Republic of China	30.0%	Cold storage	

Note:

1. the name in English is for identification only.

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF WING TAI PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2016

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

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

CONSOLIDATED BALANCE SHEET

At 31 December 2015

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

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

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

Cheng Wai Chee, Christopher
DIRECTOR

Cheng Wai Sun, Edward
DIRECTOR

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

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

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

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

	Note	2015 HK$'M	2014 HK$'M
Cash flows from investing activities			
Additions of investment properties		(255.9)	(4.3)
Purchase of other properties, plant and equipment		(2.5)	(5.6)
Net advances of loans to joint ventures		(320.5)	(180.1)
Proceeds from disposal of other properties, plant and equipment		–	0.9
Proceeds from disposal of an associate		135.4	–
Proceeds from return on capital of available-for-sale financial asset		1.1	–
Dividend income from joint ventures and associates		50.9	20.0
Purchase of a held-to-maturity investment		–	(39.5)
Cash received from a held-to-maturity investment upon maturity		37.7	51.4
Release of deposits with bank with original maturity of more than three months		3.3	3.9
Net cash used in investing activities		(350.5)	(153.3)
Cash flows from financing activities			
Issue of fixed rate bonds		–	300.0
Direct issue costs incurred on fixed rate bonds		–	(4.6)
Cash settlement on derivative financial instruments		(20.1)	(35.9)
Bank and other borrowings raised		41.5	709.4
Repayments of bank and other borrowings		(63.6)	(1,747.4)
Dividends paid by the Company		(181.1)	(180.7)
Dividends paid to non-controlling shareholders		(0.2)	(0.3)
Net cash used in financing activities		(223.5)	(959.5)
Increase in cash and cash equivalents		484.9	354.3
Cash and cash equivalents at the beginning of the year		1,538.1	1,183.8
Cash and cash equivalents at the end of the year	26	2,023.0	1,538.1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

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

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Basis of preparation (Continued)

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

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

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

Disposal of subsidiaries

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

(ii) Separate financial statements

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

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

(c) Joint ventures and associates

Associates

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint ventures and associates (Continued)

Joint arrangements

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

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

(f) Other properties, plant and equipment

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(g) Investment properties

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Properties for sale

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

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

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

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

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

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

(j) Financial assets

Classification

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

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

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

(ii) Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(iii) Held-to-maturity financial assets

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

(iv) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

(k) Offsetting financial instruments

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(l) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

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

(m) Derivative financial instruments and hedging activities

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

(i) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedge); or

(ii) hedges of a net investment in a foreign operation (net investment hedge).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(i) Cash flow hedge

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

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

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

(ii) Net investment hedge

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

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

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

(n) Trade and other receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

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

(p) Share capital

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

(q) Trade payables

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

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

(r) Borrowings

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

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

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

(s) Other financial liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

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

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

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

(u) Current and deferred taxation

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

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

Outside basis differences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Current and deferred taxation (Continued)

(iii) Offsetting

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

(v) Employee benefits

(i) Employee leave entitlements

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

(ii) Termination benefits

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

(iii) Bonus plans

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

(iv) Retirement benefits cost

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

(v) Share-based payments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Provisions

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

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

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

(x) Revenue recognition

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

(i) Income from properties developed for sale is recognised when the significant risks and rewards of the properties are transferred to the buyers and the collectability of related receivables is reasonably assured. Payments received from purchasers prior to this stage are recorded as deposits received, which are included in current liabilities.

(ii) Rental income from investment property is recognised on a straight-line basis over the period of the leases.

(iii) Property management income is recognised when the services are rendered.

(iv) Dividend income from investments is recognised when the Group's right to receive payment has been established.

(y) Operating leases

(i) Group as the lessee to operating leases

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

(ii) Group as the lessor to operating leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Finance leases

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

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

(aa) Contingent liabilities and contingent assets

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

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

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

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

(bb) Financial guarantee contracts

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

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

(cc) Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Foreign exchange risk

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

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

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

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

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

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

(ii) Interest rate risk

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

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

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

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

3. **FINANCIAL RISK MANAGEMENT (Continued)**

(a) Financial risk factors (Continued)

(iii) Price risk

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

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

(iv) Credit risk

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

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

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

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

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

(v) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

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

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

Note:

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital management

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

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

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

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

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

(c) Fair value estimation

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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

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

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

3. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) Fair value estimation (Continued)

(i) Financial instruments in Level 1:

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

(ii) Financial instruments in Level 2:

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

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

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

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

(iii) Financial instruments in Level 3:

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

Valuation processes of the Group

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of investment properties

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

(b) Fair value of derivative financial instruments

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

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

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

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

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

(e) Net realisable values of properties for sale

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

(f) Impairment of trade receivables

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Impairment of assets

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

(h) Taxation

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

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

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

(i) Accrual of construction costs

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

5. REVENUE

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

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

6. SEGMENT INFORMATION

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

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

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

6. SEGMENT INFORMATION (Continued)

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

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

6. SEGMENT INFORMATION (Continued)

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

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

6. SEGMENT INFORMATION (Continued)

Notes:

(a) Segment assets consist primarily of investment properties, other properties, plant and equipment, other financial assets, deposits and loan receivables, properties for sale, trade and other receivables, deposits and prepayments, sales proceeds held in stakeholders' accounts, restricted bank deposits and bank balances and cash. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.

(b) Segment liabilities comprise operating liabilities. Other liabilities include tax payable, borrowings, deferred tax liabilities and derivative financial instruments.

(c) Additions to non-current assets comprise additions to investment properties and other properties, plant and equipment.

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

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

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

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

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

7. OTHER GAINS, NET

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

8. PROFIT FROM OPERATIONS

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

Note:

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

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

(a) Directors' remuneration

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

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

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

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

(a) Directors' remuneration (Continued)

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

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

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(iii) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2014: nil).

(iv) None of the directors has waived any emoluments during the year (2014: Nil).

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

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year according to section 22 of Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

(c) Five highest paid individuals

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

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

The emoluments fell within the following bands:

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

10. **FINANCE COSTS AND FINANCE INCOME**

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

Note:

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

11. TAXATION

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

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

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

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

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

Note:

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

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

12. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

13. DIVIDENDS

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

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

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

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

15. INVESTMENT PROPERTIES

	2015 HK$'M	2014 HK$'M
At 1 January	20,586.1	19,002.7
Exchange differences	(73.5)	(55.4)
Additions	255.9	4.3
Transfer from properties for sale	–	41.5
Net gain arising from change in fair value	680.3	1,593.0
At 31 December	21,448.8	20,586.1

Investment properties comprise:

	2015 HK$'M	2014 HK$'M
Properties in Hong Kong held on:		
Leases of over 50 years	1,840.6	1,819.6
Leases of between 10 to 50 years	18,128.8	17,525.2
Properties outside Hong Kong held on:		
Leases of over 50 years	609.2	382.8
Leases of between 10 to 50 years	109.9	118.2
Freehold properties outside Hong Kong	760.3	740.3
	21,448.8	20,586.1

(a) Valuation processes of the Group

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

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

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

15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

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

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

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

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

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

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

Fair value measurements using significant unobservable inputs (Level 3)

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

15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

Movements of investment properties under Level 3 measurements:

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

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

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

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

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

16. OTHER PROPERTIES, PLANT AND EQUIPMENT

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

17. JOINT VENTURES

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

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

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

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

17. JOINT VENTURES (Continued)

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

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

17. JOINT VENTURES (Continued)

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

They are denominated in the following currencies:

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

18. ASSOCIATES

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

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

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

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

18. ASSOCIATES (Continued)

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

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

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

They are denominated in the following currencies:

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

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

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

19. DEPOSITS AND LOAN RECEIVABLES

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

Note:

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

20. OTHER FINANCIAL ASSETS

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

Notes:

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

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

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

20. OTHER FINANCIAL ASSETS (Continued)

Notes (Continued):

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

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

21. PROPERTIES FOR SALE

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

Note:

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

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

(a) The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.

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

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

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

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

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

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

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

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

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

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

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

23. DERIVATIVE FINANCIAL INSTRUMENTS

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

23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note:

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

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

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

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

24. SALES PROCEEDS HELD IN STAKEHOLDERS' ACCOUNTS

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

25. RESTRICTED BANK DEPOSITS

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

The carrying amounts of the balances approximate their fair values.

26. BANK BALANCES AND CASH

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

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

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

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

26. BANK BALANCES AND CASH (Continued)

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

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

27. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

27. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

Trade payables are denominated in the following currencies:

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

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

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

28. BANK AND OTHER BORROWINGS

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

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

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

	2015 HK$'M	2014 HK$'M
Analysed as		
Secured	1,967.9	2,016.2
Unsecured	1,798.4	1,862.6
	3,766.3	3,878.8

28. BANK AND OTHER BORROWINGS (Continued)

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

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

Notes:

(a) Bank borrowings are secured by certain properties and other financial assets of the Group amounting to HK$6,532.1M (2014: HK$6,425.4M) (Note 37). The bank borrowings bear interests at floating interest rates.

(b) Details of the Group's fixed rate bonds at 31 December 2015 are as follows:

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

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

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

(c) The bank and other borrowings have an average effective interest rate of 3.0% (2014: 3.0%) per annum.

(d) As at 31 December 2015 and 2014, the Group had cross currency swap arrangements with banks to swap the fixed rate bonds of principal SGD170 million and the relevant interest payments to Hong Kong dollar to match the currency exposures of the fixed rate bonds.

(e) As at 31 December 2015 and 2014, the Group had cross currency swap arrangements with a bank to swap the fixed rate bonds of principal HK$100 million and the relevant interest payments to UK pounds to match the currency exposures of one of the Group's UK investments.

(f) The carrying amounts of fixed rate bonds approximate their fair values.

29. DEFERRED TAXATION

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

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

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

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

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

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

30. OTHER LONG-TERM LIABILITY

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

31. SHARE CAPITAL

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

32. SHARE INCENTIVE SCHEME AND SHARE OPTION PLAN

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

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

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

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

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

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

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

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

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

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

(b) Fair values of incentive shares awarded

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

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

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

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

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

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

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

33. RESERVES

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

Nature and purpose of reserves

(a) Share premium

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

(b) Hedging reserve

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

(c) Investment revaluation reserve

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

(d) Employee share-based compensation reserve

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

33. RESERVES (Continued)

(e) Other property revaluation reserve

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

(f) Translation reserve

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

(g) Contributed surplus

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

34. OPERATING LEASES

As lessee

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

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

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

As lessor

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

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

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

35. COMMITMENTS

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

36. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

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

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

37. PLEDGE OF ASSETS

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

(b) At 31 December 2015, several of the Group's assets were pledged to secure credit facilities for the Group:

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

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

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

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

Note:

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

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

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

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

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

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

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

Cheng Wai Chee, Christopher
DIRECTOR

Cheng Wai Sun, Edward
DIRECTOR

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

Note:

Reserve movement of the Company

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

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) In January 2016, the Group acquired 100% interest of a site at Tuen Mun Town Lot No. 497, So Kwun Wat Road, Area 56, Tuen Mun from the Government of the Hong Kong Special Administrative Region with a total attributable floor area of approximately 264,000 square feet for residential development. Land premium is approximately HK$1,056M.

(b) In January 2016, the Group acquired a commercial property in 3 Cavendish Square in London, which is held for long-term investment, through a 33.3% owned joint venture. Total consideration attributable to the Group is approximately HK$130M.

41. COMPARATIVE FIGURES

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

42. PRINCIPAL SUBSIDIARIES

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

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

Notes:

1. only Wing Tai Properties (B.V.I.) Limited and Wing Tai Properties Investment Limited are directly held by the Company.

2. represents a wholly owned foreign enterprise established in the People's Republic of China.

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

43. PRINCIPAL JOINT VENTURES

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

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

Note:

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

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

44. PRINCIPAL ASSOCIATES

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

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

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF WING TAI PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 31, which comprises the condensed consolidated balance sheet of Wing Tai Properties Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and fair presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2016

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

INTERIM RESULTS

The Board of Directors (the "Directors") of Wing Tai Properties Limited (the "Company") presents the unaudited condensed consolidated interim financial information ("Interim Financial Information") of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

	NOTE	Unaudited Six months ended 30 June 2016 HK$'M	 2015 HK$'M
Revenue	6	468.0	539.8
Cost of sales		(92.0)	(157.4)
Gross profit		376.0	382.4
Other gains, net	7	10.2	2.1
Selling and distribution costs		(7.5)	(24.7)
Administrative expenses		(142.6)	(134.2)
Change in fair value of investment properties and financial instruments	8	162.1	264.5
Profit from operations	9	398.2	490.1
Finance costs		(44.0)	(53.9)
Finance income		10.4	8.0
Share of results of joint ventures	22	(6.9)	75.2
Share of results of associates		0.4	1.0
Profit before taxation		358.1	520.4
Taxation	10	(57.9)	(51.7)
Profit for the period		300.2	468.7
Attributable to:			
Equity holders of the Company		300.2	468.8
Non-controlling interests		–	(0.1)
		300.2	468.7
Earnings per share attributable to equity holders of the Company	11		
– Basic		HK$0.22	HK$0.35
– Diluted		HK$0.22	HK$0.35

The notes on pages 18 to 31 form an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016 HK$'M	2015 HK$'M
Profit for the period	300.2	468.7
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(36.3)	(2.9)
Net fair value gain/(loss) arising from revaluation of available-for-sale financial assets	71.8	(66.7)
Net gain on net investment hedge	1.0	3.2
Net gain/(loss) on cash flow hedge		
– Fair value gains/(losses)	32.9	(29.3)
– Release to profit or loss	–	(0.4)
Other comprehensive income for the period, net of tax	69.4	(96.1)
Total comprehensive income for the period	369.6	372.6
Attributable to:		
Equity holders of the Company	369.6	372.7
Non-controlling interests	–	(0.1)
Total comprehensive income for the period	369.6	372.6

The notes on pages 18 to 31 form an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	NOTE	Unaudited 30 June 2016 HK$'M	Audited 31 December 2015 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	21,552.9	21,448.8
Other properties, plant and equipment	13	54.5	55.9
Investments in joint ventures	22	468.2	490.0
Loans to joint ventures	22	1,533.1	1,649.7
Investments in associates		5.8	5.1
Loans to associates		14.8	14.8
Deposits and loan receivables		13.8	15.1
Other financial assets		430.1	358.3
Deferred tax assets		12.5	6.5
Derivative financial instruments		9.7	3.4
		24,095.4	24,047.6
Current assets			
Properties for sale	14	2,435.4	1,295.6
Trade and other receivables, deposits and prepayments	15	979.0	776.3
Derivative financial instruments		52.4	11.2
Tax recoverable		0.8	1.4
Restricted bank deposits		–	14.6
Bank balances and cash		672.0	2,074.2
		4,139.6	4,173.3
Non-current assets classified as assets held for sale	25	439.2	–
		4,578.8	4,173.3
Current liabilities			
Trade and other payables and accruals	16	507.4	435.7
Derivative financial instruments		16.9	19.0
Tax payable		63.2	48.6
Bank and other borrowings	17	492.4	439.6
		1,079.9	942.9
Non-current liabilities			
Bank and other borrowings	17	3,433.0	3,326.7
Other long-term liability	4(d)	82.9	73.7
Derivative financial instruments		180.4	239.5
Deferred tax liabilities		320.4	290.8
		4,016.7	3,930.7
NET ASSETS		23,577.6	23,347.3
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	671.7	670.6
Reserves		22,904.9	22,675.7
		23,576.6	23,346.3
Non-controlling interests		1.0	1.0
TOTAL EQUITY		23,577.6	23,347.3

The notes on pages 18 to 31 form an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital HK$'M	Share premium HK$'M	Hedging reserve HK$'M	Investment revaluation reserve HK$'M	Employee share-based compensation reserve HK$'M	Other property revaluation reserve HK$'M	Translation reserve HK$'M	Contributed surplus HK$'M	Retained profits HK$'M	Total HK$'M	Non-controlling interests HK$'M	Total equity HK$'M
At 1 January 2016	670.6	3,293.3	(103.4)	138.6	14.6	64.1	(61.3)	751.0	18,578.8	23,346.3	1.0	23,347.3
Comprehensive income												
Profit for the period	–	–	–	–	–	–	–	–	300.2	300.2	–	300.2
Other comprehensive income												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(36.3)	–	–	(36.3)	–	(36.3)
Net fair value gain arising from revaluation of available-for-sale financial assets	–	–	–	71.8	–	–	–	–	–	71.8	–	71.8
Net gain on cash flow hedge	–	–	32.9	–	–	–	–	–	–	32.9	–	32.9
Net gain on net investment hedge	–	–	1.0	–	–	–	–	–	–	1.0	–	1.0
Total comprehensive income	–	–	33.9	71.8	–	–	(36.3)	–	300.2	369.6	–	369.6
Transactions with owners												
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	4.7	–	–	–	–	4.7	–	4.7
Incentive shares exercised	1.1	9.2	–	–	(9.2)	–	–	–	–	1.1	–	1.1
2015 final dividend paid	–	–	–	–	–	–	–	–	(145.1)	(145.1)	–	(145.1)
Total transactions with owners	1.1	9.2	–	–	(4.5)	–	–	–	(145.1)	(139.3)	–	(139.3)
At 30 June 2016	671.7	3,302.5	(69.5)	210.4	10.1	64.1	(97.6)	751.0	18,733.9	23,576.6	1.0	23,577.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital HK$'M	Share premium HK$'M	Hedging reserve HK$'M	Investment revaluation reserve HK$'M	Employee share-based compensation reserve HK$'M	Other property revaluation reserve HK$'M	Translation reserve HK$'M	Contributed surplus HK$'M	Retained profits HK$'M	Total HK$'M	Non-controlling interests HK$'M	Total equity HK$'M
At 1 January 2015	669.3	3,283.8	(61.3)	265.9	13.7	64.1	31.7	751.0	17,660.8	22,679.0	1.2	22,680.2
Comprehensive income												
Profit for the period	–	–	–	–	–	–	–	–	468.8	468.8	(0.1)	468.7
Other comprehensive income												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(2.9)	–	–	(2.9)	–	(2.9)
Net fair value loss arising from revaluation of available-for-sale financial assets	–	–	–	(66.7)	–	–	–	–	–	(66.7)	–	(66.7)
Net loss on cash flow hedge	–	–	(29.7)	–	–	–	–	–	–	(29.7)	–	(29.7)
Net gain on net investment hedge	–	–	3.2	–	–	–	–	–	–	3.2	–	3.2
Total comprehensive income	–	–	(26.5)	(66.7)	–	–	(2.9)	–	468.8	372.7	(0.1)	372.6
Transactions with owners												
Value of employee services relating to grants of incentive shares	–	–	–	–	3.9	–	–	–	–	3.9	–	3.9
Incentive shares exercised	1.3	9.5	–	–	(9.5)	–	–	–	–	1.3	–	1.3
2014 final dividend paid	–	–	–	–	–	–	–	–	(124.7)	(124.7)	–	(124.7)
Total transactions with owners	1.3	9.5	–	–	(5.6)	–	–	–	(124.7)	(119.5)	–	(119.5)
At 30 June 2015	670.6	3,293.3	(87.8)	199.2	8.1	64.1	28.8	751.0	18,004.9	22,932.2	1.1	22,933.3

The notes on pages 18 to 31 form an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK$'M	HK$'M
Net cash (used in)/generated from operating activities	(901.2)	743.6
Cash flows from investing activities		
Additions of investment properties	(1.5)	(3.7)
Advance of loans to joint ventures	(270.8)	(64.2)
Advance to a joint venture for repayment of bank borrowing	(222.0)	–
Other investing cash net inflow	42.3	43.5
Net cash used in investing activities	(452.0)	(24.4)
Cash flows from financing activities		
Bank and other borrowings raised	555.9	14.5
Repayment of bank and other borrowings	(407.8)	(31.9)
Dividends paid by the Company	(145.1)	(124.7)
Other financing cash net outflow	(8.9)	(7.7)
Net cash used in financing activities	(5.9)	(149.8)
(Decrease)/increase in cash and cash equivalents	(1,359.1)	569.4
Cash and cash equivalents at the beginning of the period	2,023.0	1,538.1
Cash and cash equivalents at the end of the period	663.9	2,107.5
Cash and cash equivalents comprise:		
Bank balances and cash	672.0	2,158.5
Less: Deposits with maturity of more than three months	(8.1)	(51.0)
	663.9	2,107.5

The notes on pages 18 to 31 form an integral part of this Interim Financial Information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

1. GENERAL INFORMATION

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

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

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

This Interim Financial Information is presented in million of Hong Kong dollars (HK$'M), unless otherwise stated. It has been reviewed by the Company's Audit Committee. It has also been approved for issue by the Board of Directors on 30 August 2016.

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following accounting policy to account for non-current assets classified as assets held for sale occurred during the period:

Non-current assets (or disposal groups) classified as assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Other than the above, the accounting policies adopted in the preparation of the Interim Financial Information are consistent with those adopted and described in the Company's annual financial statements for the year ended 31 December 2015, except for the adoption of new standards, revised standards, amendments and improvements to standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") as of 1 January 2016, noted below.

(a) **New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2016 and relevant to the Group**

Annual improvements 2014

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, revised standards, amendments and improvements to standards that are not yet effective in 2016 and have not been early adopted by the Group

The Group has not early adopted the following new standards, revised standards, amendments and improvements to standards that have been issued but are not yet effective for the period.

		Effective for accounting periods beginning on or after
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKAS 12	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement as at 31 December 2015.

There have been no changes in any risk management policies since the year end.

(b) Fair value estimation

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

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Fair value estimation (Continued)

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015.

	Level 1 HK$'M	Level 2 HK$'M	Level 3 HK$'M	Total HK$'M
At 30 June 2016				
Assets				
Other financial assets				
Available-for-sale financial assets				
– listed securities	430.1	–	–	430.1
Derivative financial instruments				
– cross currency swap contracts	–	10.2	–	10.2
– forward exchange contracts	–	51.9	–	51.9
	430.1	62.1	–	492.2
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	36.9	–	36.9
– cross currency swap contracts	–	160.4	–	160.4
Other long-term liability	–	–	82.9	82.9
	–	197.3	82.9	280.2
At 31 December 2015				
Assets				
Other financial assets				
Available-for-sale financial assets				
– listed securities	358.3	–	–	358.3
Derivative financial instruments				
– cross currency swap contracts	–	3.6	–	3.6
– forward exchange contracts	–	11.0	–	11.0
	358.3	14.6	–	372.9
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	9.0	–	9.0
– cross currency swap contracts	–	249.5	–	249.5
Other long-term liability	–	–	73.7	73.7
	–	258.5	73.7	332.2

During the six-month period ended 30 June 2016, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

There were no other changes in valuation techniques during the period.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Valuation techniques used to derive Level 2 fair values

Level 2 financial instruments comprise cross currency swap contracts, forward foreign exchange contracts and interest rate swap contracts. The fair values are calculated as the present values of the estimated future cash flows based on forward exchanges rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

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

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2016 and 2015.

	Other long-term liability	
	2016	**2015**
	HK$'M	**HK$'M**
At 1 January	73.7	91.5
Fair value loss/(gain) recognised in profit or loss (Note 8)	9.2	(10.1)
At 30 June	82.9	81.4
Total unrealised loss/(gain) for the period included in profit or loss for liabilities held at the end of the reporting period	9.2	(10.1)

Other long-term liability represents provisions of liabilities in relation to indemnifying a third party against the cost of winding up the pension scheme of a disposed business in 2012. Assumptions like investment rate of return, forecast price inflation rate, pension increase rate and numerous demographic assumptions have been used in the fair value estimates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

6. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2016	**2015**
	HK$'M	**HK$'M**
Sale of properties and project management income	26.4	115.3
Rental income and property management income	430.5	413.3
Dividend income from available-for-sale financial assets	11.1	11.2
	468.0	539.8

6. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Elimination HK$'M	Total HK$'M
For the six months ended 30 June 2016						
REVENUE						
External sales	26.4	365.7	64.8	11.1	–	468.0
Inter-segment sales	–	4.3	0.1	–	(4.4)	–
Total	26.4	370.0	64.9	11.1	(4.4)	468.0
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	(25.6)	271.3	10.9	(20.5)	–	236.1
Change in fair value of investment properties and financial instruments	(9.5)	183.8	(3.0)	(9.2)	–	162.1
Profit/(loss) from operations	(35.1)	455.1	7.9	(29.7)	–	398.2
Finance costs	–	(26.8)	(8.5)	(26.7)	18.0	(44.0)
Finance income	–	1.9	3.0	23.5	(18.0)	10.4
Share of results of joint ventures	3.1	(15.5)	5.5	–	–	(6.9)
Share of results of associates	0.4	–	–	–	–	0.4
Profit/(loss) before taxation	(31.6)	414.7	7.9	(32.9)	–	358.1
Taxation						(57.9)
Profit for the period						300.2
OTHER ITEMS						
Depreciation and amortisation	–	0.9	–	1.2	–	2.1

6. REVENUE AND SEGMENT INFORMATION (Continued)

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Elimination HK$'M	Total HK$'M
For the six months ended 30 June 2015						
REVENUE						
External sales	115.3	342.1	71.2	11.2	–	539.8
Inter-segment sales	–	3.9	0.4	–	(4.3)	–
Total	115.3	346.0	71.6	11.2	(4.3)	539.8
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	(1.8)	245.6	20.0	(38.2)	–	225.6
Change in fair value of investment properties and financial instruments	–	285.6	(30.8)	9.7	–	264.5
Profit/(loss) from operations	(1.8)	531.2	(10.8)	(28.5)	–	490.1
Finance costs	–	(28.5)	(9.5)	(33.9)	18.0	(53.9)
Finance income	–	2.8	3.1	20.1	(18.0)	8.0
Share of results of joint ventures	82.2	(2.7)	(4.3)	–	–	75.2
Share of results of associates	–	–	1.0	–	–	1.0
Profit/(loss) before taxation	80.4	502.8	(20.5)	(42.3)	–	520.4
Taxation						(51.7)
Profit for the period						468.7
OTHER ITEMS						
Depreciation and amortisation	–	1.0	–	1.5	–	2.5
Gain on disposal of other properties, plant and equipment, net	–	(0.1)	–	–	–	(0.1)

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

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Hong Kong	425.6	497.7
United Kingdom	15.5	10.9
The PRC	13.4	17.6
Singapore	12.1	12.2
Others	1.4	1.4
	468.0	539.8

7. OTHER GAINS, NET

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Amortisation of interest income on held-to-maturity investments	–	0.4
Exchange losses, net	(1.4)	(0.4)
Right of light compensation income	8.9	–
Others	2.7	2.1
	10.2	2.1

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

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Change in fair value of investment properties (Note 13)	201.4	245.2
Net change in fair value of financial instruments		
– Net fair value (loss)/gain on derviative financial instruments	(30.1)	9.2
– (Loss)/gain on financial liabilities at fair value through profit or loss classified under other long-term liability	(9.2)	10.1
	(39.3)	19.3
	162.1	264.5

9. PROFIT FROM OPERATIONS

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Share-based compensation expenses	5.8	5.2
Staff costs including directors' remuneration	125.8	114.2
Amortisation of interest income on held-to-maturity investments	–	(0.4)
Depreciation of other properties, plant and equipment	2.1	2.5
Direct operating expenses arising from investment properties generating rental income	78.6	76.3
Gain on disposal of other properties, plant and equipment	–	(0.1)
Operating lease rental expenses in respect of land and buildings	0.3	0.5

10. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2016	**2015**
	HK$'M	**HK$'M**
Current taxation		
– Current tax on profits for the period	33.5	23.3
– Over-provision in prior years	(0.3)	(1.2)
	33.2	22.1
Deferred taxation		
– Change in fair value of investment properties	23.4	9.2
– Temporary differences on tax depreciation	8.3	8.7
– (Recognition)/utilisation of tax losses	(7.0)	11.6
– Withholding tax	–	0.1
	24.7	29.6
Income tax expenses	57.9	51.7

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for profit attributable to equity holders of the Company is based on the following financial information:

	Six months ended 30 June	
	2016	**2015**
	HK$'M	**HK$'M**
Profit attributable to equity holders of the Company	300.2	468.8

	Six months ended 30 June	
	2016	**2015**
Weighted average number of ordinary shares in issue	1,342,198,731	1,340,077,043
Effect of dilutive potential shares issuable under the Company's share option plan and share incentive scheme	6,507,910	4,114,755
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,348,706,641	1,344,191,798

12. INTERIM DIVIDEND

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Interim dividend of HK4.2 cents (2015: HK4.2 cents) per ordinary share	56.4	56.3

On 30 August 2016, the board of directors has resolved to declare an interim dividend of HK4.2 cents (2015: HK4.2 cents) per ordinary share. This interim dividend, amounting to HK$56.4M (2015: HK$56.3M), has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

13. CAPITAL EXPENDITURE

	Investment properties HK$'M	Other properties, plant and equipment HK$'M
Opening net book value at 1 January 2016	21,448.8	55.9
Exchange differences	(98.8)	–
Net gain arising from change in fair value	201.4	–
Additions	1.5	0.7
Depreciation and amortisation	–	(2.1)
Closing net book value at 30 June 2016	21,552.9	54.5
Opening net book value at 1 January 2015	20,586.1	58.4
Exchange differences	8.6	–
Net gain arising from change in fair value	245.2	–
Additions	3.7	1.8
Depreciation and amortisation	–	(2.5)
Closing net book value at 30 June 2015	20,843.6	57.7

The Group's investment properties are stated at revalued amounts based on professional valuations at 30 June 2016 on an open market value basis. The Group engaged Savills Valuation and Professional Services Limited, Jones Lang LaSalle Limited and Cushman & Wakefield to value its investment properties. The values have been made with reference to comparable current prices in an active market and/or income capitalisation approach from current leases and assumptions about lease from future leases in light of current market conditions and reversionary income potential.

14. PROPERTIES FOR SALE

	30 June 2016 HK$'M	31 December 2015 HK$'M
Properties under development held for sale	2,274.9	1,134.0
Completed properties	160.5	161.6
	2,435.4	1,295.6

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2016 HK$'M	31 December 2015 HK$'M
Trade receivables	15.0	14.1
Deferred rent receivables	7.9	12.2
Amounts due from and loans to joint ventures	850.7	637.2
Other receivables, deposits and prepayments	80.4	87.8
Deposit paid for acquisition of land	25.0	25.0
	979.0	776.3

The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with the industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at the balance sheet date, based on the invoice dates:

	30 June 2016 HK$'M	31 December 2015 HK$'M
0 – 30 days	10.8	8.3
31 – 90 days	1.4	5.1
Over 90 days	2.8	0.7
	15.0	14.1

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2016 HK$'M	31 December 2015 HK$'M
Trade payables	14.7	8.2
Properties sale deposits received	4.4	3.5
Rental deposits received	184.9	175.4
Construction costs payables	67.0	64.1
Amounts due to joint ventures	92.5	40.0
Other creditors and accruals	143.9	144.5
	507.4	435.7

16. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	30 June 2016 HK$'M	31 December 2015 HK$'M
0 – 30 days	14.0	7.0
31 – 90 days	0.2	1.1
Over 90 days	0.5	0.1
	14.7	8.2

17. BANK AND OTHER BORROWINGS

	30 June 2016 HK$'M	31 December 2015 HK$'M
Bank borrowings	2,077.8	1,967.9
Fixed rate bonds	1,847.6	1,798.4
	3,925.4	3,766.3

The bank and other borrowings carry interest at the prevailing market rates and are repayable as follows:

	30 June 2016 HK$'M	31 December 2015 HK$'M
Within one year	492.4	439.6
Between one and two years	314.9	490.5
Between two and five years	1,220.5	983.5
After five years	1,897.6	1,852.7
	3,925.4	3,766.3
Less: Amounts due within one year shown under current liabilities	(492.4)	(439.6)
Amounts due after one year	3,433.0	3,326.7
Analysed as		
secured	2,077.8	1,967.9
unsecured	1,847.6	1,798.4
	3,925.4	3,766.3

18. SHARE CAPITAL

	Number of ordinary shares of HK$0.50 each	Amount HK$'M
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2015	1,338,605,529	669.3
Issue of shares on exercise of incentive shares	2,699,500	1.3
At 31 December 2015	1,341,305,029	670.6
At 1 January 2016	1,341,305,029	670.6
Issue of shares on exercise of incentive shares	2,171,250	1.1
At 30 June 2016	1,343,476,279	671.7

19. COMMITMENTS

	30 June 2016 HK$'M	31 December 2015 HK$'M
Expenditure in respect of investment properties		
– contracted but not provided for	10.3	3.9
Capital injection to joint ventures		
– contracted but not provided for	714.9	777.1
	725.2	781.0

20. CONTINGENT LIABILITIES

The Group's contingent liabilities as at the balance sheet date are as follows:

	30 June 2016 HK$'M	31 December 2015 HK$'M
Guarantees given to banks in respect of banking facilities extend to joint ventures	2,538.7	3,135.1

At 30 June 2016, bank loans of HK$1,505.9M (31 December 2015: HK$1,898.6M) being guaranteed by the Group to joint ventures have been drawn down.

21. PLEDGE OF ASSETS

At balance sheet date, several of the Group's assets were pledged to secure credit facilities for the Group:

	30 June 2016 HK$'M	31 December 2015 HK$'M
Investment properties	5,070.0	5,151.2
Properties for sale	1,198.2	1,134.0
Other financial assets	296.4	246.9
	6,564.6	6,532.1

The facilities were utilised to the extent of HK$2,077.8M (31 December 2015: HK$1,967.9M).

22. INVESTMENTS IN JOINT VENTURES

The following amounts represent the Group's respective share of the net assets and results of the joint ventures:

	30 June 2016 HK$'M	31 December 2015 HK$'M
Assets		
– Investment properties	833.6	1,602.8
– Properties for sale	2,932.1	3,345.4
– Bank balances and cash	193.4	169.0
– Other assets	738.1	516.5
Liabilities		
– Bank and other borrowings	(1,505.9)	(2,176.3)
– Loans from shareholders	(1,533.1)	(1,649.7)
– Amounts due to shareholders	(850.7)	(637.2)
– Other liabilities	(339.3)	(680.5)
Net assets	468.2	490.0

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Revenue	788.4	455.5
Profit from operations	10.4	95.0
Finance costs	(22.0)	(5.7)
Finance income	0.3	2.1
Profit before taxation	(11.3)	91.4
Taxation	4.4	(16.2)
(Loss)/profit for the period	(6.9)	75.2

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group had significant transactions with related parties during the period as follows:

	Six months ended 30 June 2016 HK$'M	2015 HK$'M
Key management compensation (Note)		
Salaries and other benefits	(14.8)	(13.6)
Retirement benefits costs	(0.6)	(0.5)
Value of share options and incentive shares	(3.5)	(2.9)
	(18.9)	(17.0)
Interest income from loans to joint ventures	8.5	2.9
Sales and marketing service fee income from a joint venture	18.3	–
Serviced apartment management and license fee income from a joint venture	0.8	0.7
Serviced apartment management fee income from an associate	–	1.1
Serviced apartment management and license fee income from a substantial shareholder of the Company	1.5	1.8
Project management fee income from joint ventures	3.0	2.7
Property rental income from a joint venture	4.0	4.7
Property rental income from a substantial shareholder of the Company	2.5	3.0

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

Note: Key management personnel represents the directors of the Group.

(b) Outstanding balances with these related parties at the reporting dates are:

	30 June 2016 HK$'M	31 December 2015 HK$'M
Non-current loans to joint ventures	1,533.1	1,649.7
Amounts due from and current loans to joint ventures	850.7	637.2
Amounts due to joint ventures	92.5	40.0
Non-current loans to associates	14.8	14.8

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) In July 2016, the Group entered into a sale and purchase agreement with a third party to dispose of its entire 50% interests in a joint venture of Upper Riverside in Shanghai. The total consideration receivable by the Group under the sale and purchase agreement is approximately HK$458M and the estimated gain on disposal is approximately HK$35M.

(b) Subsequent to the balance sheet date, the Group acquired a site at Tuen Mun Town Lot No. 523 at Castle Peak Road – Tai Lam, Tuen Mun from the Government of the Hong Kong Special Administrative Region with a maximum floor area of approximately 294,000 square feet for residential development. Land premium is approximately HK$982M. The Group owns 70% equity interest in the project.

25. NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

As stated in Note 24(a) to the Interim Financial Information, the Group entered into a sale and purchase agreement, subsequent to the balance sheet date, to sell its entire interest in a joint venture.

Non-current assets classified as assets held for sale at 30 June 2016 include investment in a joint venture, loan to a joint venture and amount due from a joint venture amounting to HK$439.2M.

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