

Financial Statements

142	Consolidated Statement of Profit or Loss
143	Consolidated Statement of Profit or Loss and Other Comprehensive Income
144	Consolidated Statement of Financial Position
145	Consolidated Statement of Changes in Equity
147	Consolidated Cash Flow Statement
148	Notes to the Financial Statements
148	1. Principal Accounting Policies
162	2. Changes in Accounting Policies
162	3. Revenue and Segment Information
164	4. Other Net Income
165	5. Net Interest Expense
165	6. Profit Before Taxation
166	7. Emoluments of Directors and Senior Management
168	8. Taxation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income
169	9. Dividends
170	10. Earnings Per Share
171	11. Property, Plant and Equipment
175	12. Interest in Joint Ventures
176	13. Other Assets
176	14. Cash and Deposits with Banks
177	15. Trade and Other Receivables
177	16. Properties for Sale
178	17. Bank Loans and Other Borrowings
179	18. Trade and Other Payables
179	19. Taxation in the Consolidated Statement of Financial Position
181	20. Share Capital
182	21. Reserves
184	22. Non-Controlling Interests
185	23. Cash Generated from Operations
185	24. Commitments
186	25. Employee Benefits
192	26. Related Party Transactions
192	27. Financial Risk Management Objectives and Policies
196	28. Significant Accounting Estimates and Judgments
197	29. Company-Level Statement of Financial Position
198	30. Interest in Subsidiaries
199	31. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2016
199	32. Approval of Financial Statements
200	33. Principal Subsidiaries
205	34. Principal Joint Ventures

Consolidated Statement of Profit or Loss

For the year ended December 31, 2016

	Note	2016	2015	<i>For information purpose only (Note 1(b))</i>	
		HK\$ Million	HK\$ Million	2016 RMB Million	2015 RMB Million
Revenue	3(a)	13,648	9,528	11,743	7,692
Direct costs and operating expenses		(4,310)	(2,573)	(3,709)	(2,080)
Gross profit		9,338	6,955	8,034	5,612
Other net income	4	228	53	196	41
Administrative expenses		(671)	(728)	(575)	(591)
Operating profit before changes in fair value of properties		8,895	6,280	7,655	5,062
Net (decrease)/increase in fair value of properties	11	(254)	676	(226)	552
Operating profit after changes in fair value of properties		8,641	6,956	7,429	5,614
Interest income		809	1,142	692	926
Finance costs		(1,202)	(1,147)	(1,031)	(928)
Net interest expense	5	(393)	(5)	(339)	(2)
Share of profits of joint ventures	12	129	256	110	209
Profit before taxation	3(a) & 6	8,377	7,207	7,200	5,821
Taxation	8(a)	(1,472)	(1,216)	(1,259)	(976)
Profit for the year		6,905	5,991	5,941	4,845
Attributable to:					
Shareholders	21	3,713	3,211	3,196	2,603
Non-controlling interests	22	3,192	2,780	2,745	2,242
		6,905	5,991	5,941	4,845
Earnings per share	10(a)				
Basic		HK\$2.73	HK\$2.37	RMB2.36	RMB1.92
Diluted		HK\$2.73	HK\$2.37	RMB2.36	RMB1.92

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 9.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

	Note			<i>For information purpose only (Note 1(b))</i>	
		2016 HK\$ Million	2015 HK\$ Million	2016 RMB Million	2015 RMB Million
Profit for the year		6,905	5,991	5,941	4,845
Other comprehensive income	8(d)				
Items that may be reclassified subsequently to profit or loss:					
Net movement in investment revaluation reserve		–	(38)	–	(30)
Exchange difference arising from translation of foreign subsidiaries/to presentation currency		(5,972)	(6,144)	2,348	1,784
		(5,972)	(6,182)	2,348	1,754
Total comprehensive income for the year		933	(191)	8,289	6,599
Total comprehensive income attributable to:					
Shareholders		543	(39)	4,553	3,564
Non-controlling interests		390	(152)	3,736	3,035
		933	(191)	8,289	6,599

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At December 31, 2016

	Note	2016 HK\$ Million	2015 HK\$ Million	<i>For information purpose only (Note 1(b))</i>	
				2016 RMB Million	2015 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		133,005	137,338	119,212	115,631
Investment properties under development		16,160	16,709	14,455	13,998
Other property, plant and equipment		1,446	338	1,294	285
		150,611	154,385	134,961	129,914
Interest in joint ventures	11	3,539	3,455	3,180	2,928
Other assets	12	1,341	1,343	1,205	1,138
Deferred tax assets	13	22	19	20	16
	19(b)	155,513	159,202	139,366	133,996
Current assets					
Cash and deposits with banks	14	24,524	31,482	22,010	26,595
Trade and other receivables	15	3,958	1,170	3,552	985
Properties for sale	16	2,374	3,852	2,133	3,264
		30,856	36,504	27,695	30,844
Current liabilities					
Bank loans and other borrowings	17	568	6,640	508	5,611
Trade and other payables	18	6,761	7,353	6,058	6,182
Taxation payable	19(a)	982	577	881	485
		8,311	14,570	7,447	12,278
Net current assets					
		22,545	21,934	20,248	18,566
Total assets less current liabilities					
		178,058	181,136	159,614	152,562
Non-current liabilities					
Bank loans and other borrowings	17	30,551	30,690	27,416	25,915
Deferred tax liabilities	19(b)	9,494	10,144	8,494	8,503
		40,045	40,834	35,910	34,418
NET ASSETS					
		138,013	140,302	123,704	118,144
Capital and reserves					
Share capital	20	4,065	3,893	3,164	3,015
Reserves	21	71,593	71,577	64,651	60,544
Shareholders' equity		75,658	75,470	67,815	63,559
Non-controlling interests	22	62,355	64,832	55,889	54,585
TOTAL EQUITY					
		138,013	140,302	123,704	118,144

Philip N.L. Chen
Managing Director

H.C. Ho
Executive Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Shareholders' equity			Total HK\$ Million	Non- controlling interests HK\$ Million (Note 22)	Total equity HK\$ Million
	Share capital HK\$ Million (Note 20)	Other reserves HK\$ Million (Note 21)	Retained profits HK\$ Million (Note 21)			
At January 1, 2015	3,893	7,258	64,875	76,026	68,670	144,696
Profit for the year	–	–	3,211	3,211	2,780	5,991
Net movement in investment revaluation reserve	–	(38)	–	(38)	–	(38)
Exchange difference arising from translation of foreign subsidiaries	–	(3,212)	–	(3,212)	(2,932)	(6,144)
Total comprehensive income for the year	–	(3,250)	3,211	(39)	(152)	(191)
Final dividend in respect of previous year	–	–	(841)	(841)	–	(841)
Interim dividend in respect of current year	–	–	(257)	(257)	–	(257)
Employee share-based payments	–	46	24	70	80	150
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	511	–	511	(1,339)	(828)
Dividends paid to non-controlling interests	–	–	–	–	(2,429)	(2,429)
Repayment to non-controlling interests	–	–	–	–	2	2
At December 31, 2015 and January 1, 2016	3,893	4,565	67,012	75,470	64,832	140,302
Profit for the year	–	–	3,713	3,713	3,192	6,905
Exchange difference arising from translation of foreign subsidiaries	–	(3,170)	–	(3,170)	(2,802)	(5,972)
Total comprehensive income for the year	–	(3,170)	3,713	543	390	933
Final dividend in respect of previous year	–	–	(827)	(827)	–	(827)
Interim dividend in respect of current year	–	–	(258)	(258)	–	(258)
Issue of shares	172	(35)	–	137	–	137
Employee share-based payments	–	44	18	62	41	103
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	531	–	531	(1,068)	(537)
Dividends paid to non-controlling interests	–	–	–	–	(1,840)	(1,840)
At December 31, 2016	4,065	1,935	69,658	75,658	62,355	138,013

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

For information purpose only (Note 1(b))

	Shareholders' equity				Non-controlling interests RMB Million (Note 22)	Total equity RMB Million
	Share capital RMB Million (Note 20)	Other reserves RMB Million (Note 21)	Retained profits RMB Million (Note 21)	Total RMB Million		
At January 1, 2015	3,015	3,569	53,820	60,404	54,540	114,944
Profit for the year	–	–	2,603	2,603	2,242	4,845
Net movement in investment revaluation reserve	–	(30)	–	(30)	–	(30)
Exchange difference arising from translation to presentation currency	–	991	–	991	793	1,784
Total comprehensive income for the year	–	961	2,603	3,564	3,035	6,599
Final dividend in respect of previous year	–	–	(673)	(673)	–	(673)
Interim dividend in respect of current year	–	–	(213)	(213)	–	(213)
Employee share-based payments	–	36	20	56	65	121
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	421	–	421	(1,101)	(680)
Dividends paid to non-controlling interests	–	–	–	–	(1,955)	(1,955)
Repayment to non-controlling interests	–	–	–	–	1	1
At December 31, 2015 and January 1, 2016	3,015	4,987	55,557	63,559	54,585	118,144
Profit for the year	–	–	3,196	3,196	2,745	5,941
Exchange difference arising from translation to presentation currency	–	1,357	–	1,357	991	2,348
Total comprehensive income for the year	–	1,357	3,196	4,553	3,736	8,289
Final dividend in respect of previous year	–	–	(697)	(697)	–	(697)
Interim dividend in respect of current year	–	–	(223)	(223)	–	(223)
Issue of shares	149	(30)	–	119	–	119
Employee share-based payments	–	38	16	54	35	89
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	450	–	450	(905)	(455)
Dividends paid to non-controlling interests	–	–	–	–	(1,562)	(1,562)
At December 31, 2016	3,164	6,802	57,849	67,815	55,889	123,704

Consolidated Cash Flow Statement

For the year ended December 31, 2016

	Note			<i>For information purpose only (Note 1(b))</i>	
		2016 HK\$ Million	2015 HK\$ Million	2016 RMB Million	2015 RMB Million
Operating activities					
Cash generated from operations	23	8,092	8,215	6,978	6,659
Tax paid					
Hong Kong Profits Tax paid		(427)	(1,475)	(366)	(1,199)
China Income Tax paid		(637)	(741)	(570)	(587)
Net cash generated from operating activities		7,028	5,999	6,042	4,873
Investing activities					
Payment for property, plant and equipment		(2,682)	(6,188)	(2,355)	(5,099)
Net sale proceeds from disposal of property, plant and equipment		12	96	10	78
Net sale proceeds from disposal of listed investment		–	119	–	95
Interest received		855	1,099	731	890
Dividends received from joint ventures		55	42	47	34
(Advance to)/Repayment from joint ventures		(11)	59	(9)	47
Net repayment of advances to unlisted investee companies		2	–	2	–
Dividends received from unlisted investments		20	1	17	1
Decrease/(Increase) in bank deposits with maturity greater than 3 months		3,427	(4,369)	2,939	(3,689)
Net cash generated from/(used in) investing activities		1,678	(9,141)	1,382	(7,643)
Financing activities					
Proceeds from new bank loans and other borrowings		5,143	5,704	4,404	4,612
Repayment of bank loans		(10,691)	(7,962)	(9,536)	(6,469)
Proceeds from exercise of share options		137	–	119	–
Interest and other borrowing costs paid		(1,399)	(1,543)	(1,205)	(1,253)
Dividends paid		(1,085)	(1,098)	(920)	(886)
Dividends paid to non-controlling interests		(1,840)	(2,429)	(1,562)	(1,955)
Decrease in non-controlling interests in subsidiaries		(537)	(828)	(455)	(680)
Repayment from non-controlling interests		–	2	–	1
Net cash used in financing activities		(10,272)	(8,154)	(9,155)	(6,630)
Decrease in cash and cash equivalents		(1,566)	(11,296)	(1,731)	(9,400)
Effect of foreign exchange rate changes		(1,875)	(1,904)	79	121
Cash and cash equivalents at January 1		27,019	40,219	22,816	32,095
Cash and cash equivalents at December 31	14	23,578	27,019	21,164	22,816

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Principal accounting policies adopted by the Group are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial adoption of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (note 31).

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the following basis in respect of the translation of transactions/balances not denominated in Renminbi:

- assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
- equity transactions are translated at exchange rates at the dates of the relevant transactions and are not re-translated.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (note 1(j)).

(d) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (note 1(j)).

Any excess of the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Properties

1. *Investment properties and investment properties under development*

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(q).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(g).

If an investment property becomes owner-occupied, it is reclassified as other property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2. *Properties under development for sale*

Properties under development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (note 1(o)) and other direct expenses. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Properties (Continued)

3. Completed properties for sale

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (note 1(o)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

(g) Other property, plant and equipment

1. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 1(j)). Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

2. Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred substantially all the risks and benefits of ownership are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

2. Leased assets (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h).

Impairment losses are accounted for as described in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating leases charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Depreciation

1. Investment properties

No depreciation is provided for investment properties and investment properties under development.

2. Other property, plant and equipment

Depreciation on other property, plant and equipment is calculated to write off the cost, less their estimated residual value, if any, on a straight line basis over their estimated useful lives as follows:

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4–20 years
Motor vehicles	5 years

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial assets

1. *Derivative financial instruments*

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2. *Other investments in equity securities*

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the statement of financial position at cost less impairment losses (note 1(j)). Other investments in equity securities are classified as available-for-sale equity securities and are initially recognized at fair value plus transaction costs. At the end of the reporting period, the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity. Dividend income from these investments is recognized directly in profit or loss in accordance with the policy set out in note 1(q). When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is reclassified to profit or loss.

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(j) Impairment of assets

An assessment is carried out at the end of each reporting period to determine whether there is objective evidence that a current or non-current asset, other than properties carried at revalued amounts, is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired.

If any such indication exists, any impairment loss is determined and recognized as follows:

- For current receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor. If in a subsequent period the amount of impairment loss decreases, the impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

Impairment losses for receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

- For available-for-sale equity securities, the cumulative loss that has been recognized in investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss. Impairment loss recognized in profit or loss in respect of available-for-sale equity securities is not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.
- For other non-current assets, the recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.

(k) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less impairment losses for bad and doubtful debts (note 1(j)), except where the receivables are interest-free loans or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (note 1(j)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(m) Trade and other payables

Trade and other payables are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between costs and redemption value being recognized in profit or loss over the period of the borrowings using the effective interest method.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(p) Financial guarantees issued, provisions and contingent liabilities

1. *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. When no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(p)(2) if and when (i) it becomes probable that the holder of guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities (Continued)

2. *Other provisions and contingent liabilities*

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

1. *Sale of properties*

Revenue from sale of completed properties is recognized upon the later of the signing of sale and purchase agreements or the issue of occupation permit by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

2. *Rental income*

Rental income under operating leases is recognized on a straight line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

3. *Interest income*

Interest income is recognized as it accrues using the effective interest method.

4. *Dividends*

Dividends are recognized when the right to receive payment is established.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

When investment properties and investment properties under development are carried at their fair value in accordance with the accounting policy set out in note 1(f)(1), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Taxation (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(s) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (functional currency).

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

2. An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in note 1(t)(1).
 - (vii) A person identified in note 1(t)(1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

(v) Employee benefits

1. *Short term employee benefits and contributions to defined contribution retirement schemes*

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

2. *Share-based payments*

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

3 REVENUE AND SEGMENT INFORMATION

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in mainland China and Hong Kong and property sales in Hong Kong.

Property leasing segment includes property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and car parks, are primarily located in mainland China and Hong Kong. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of properties are not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

3 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue and results by segments

Segment	Revenue		Profit before taxation	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Property leasing				
– Mainland China (Note)	4,427	4,625	2,814	3,005
– Hong Kong	3,899	3,705	3,315	3,105
	8,326	8,330	6,129	6,110
Property sales				
– Hong Kong	5,322	1,198	3,209	845
Segment total	13,648	9,528	9,338	6,955
Other net income			228	53
Administrative expenses			(671)	(728)
Operating profit before changes in fair value of properties			8,895	6,280
Net (decrease)/increase in fair value of properties			(254)	676
– property leasing in Hong Kong			204	947
– property leasing in mainland China			(798)	(271)
– upon transfer from completed properties for sale to investment properties			340	–
Net interest expense			(393)	(5)
Interest income			809	1,142
Finance costs			(1,202)	(1,147)
Share of profits of joint ventures			129	256
Profit before taxation			8,377	7,207

Note:

Pursuant to Caishui [2016] No. 36 jointly issued by China's Ministry of Finance and State Administration of Taxation, from May 1, 2016, Value Added Tax (VAT) has replaced Business Tax (BT) to cover all the sectors which were previously falling under the BT regime. The VAT rate for property leasing is 11% and VAT is excluded from revenue. With effect from May 1, 2016, the Group is no longer required to pay BT for property leasing in mainland China.

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Total assets by segments

Segment	Total assets	
	2016 HK\$ Million	2015 HK\$ Million
Property leasing		
– Mainland China	89,851	95,189
– Hong Kong	60,999	60,344
	150,850	155,533
Property sales		
– Hong Kong	4,971	3,874
Segment total	155,821	159,407
Other property, plant and equipment	1,122	–
Interest in joint ventures	3,539	3,455
Other assets	1,341	1,343
Deferred tax assets	22	19
Cash and deposits with banks	24,524	31,482
Total assets	186,369	195,706

4 OTHER NET INCOME

	2016 HK\$ Million	2015 HK\$ Million
Gain on disposal of investment properties	8	69
Gain on disposal of listed investments	–	62
Dividend income from unlisted investments	20	1
Unrealized gain/(loss) on remeasurement of derivative financial instruments (Note)	203	(101)
Net exchange (loss)/gain	(3)	22
Other net income	228	53

Note:

Derivative financial instruments represent cross currency swaps, which were entered into for the purpose of fixing the exchange rate for the Medium Term Note denominated in USD.

5 NET INTEREST EXPENSE

	2016 HK\$ Million	2015 HK\$ Million
Interest income on bank deposits	809	1,142
Interest expense on bank loans and other borrowings	1,321	1,470
Other borrowing costs	104	121
Total borrowing costs	1,425	1,591
Less: Borrowing costs capitalized (Note)	(223)	(444)
Finance costs	1,202	1,147
Net interest expense	(393)	(5)

Note:

The borrowing costs have been capitalized at an average rate of 4.0% (2015: 4.0%) per annum to properties under development.

6 PROFIT BEFORE TAXATION

	2016 HK\$ Million	2015 HK\$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	1,815	216
Staff costs, including employee share-based payments of HK\$103 million (2015: HK\$150 million)	1,438	1,395
Depreciation	57	55
Auditors' remuneration		
– audit services	12	12
– non-audit services	4	7
and after crediting:		
Gross rental income from investment properties less direct outgoings of HK\$2,197 million (2015: HK\$2,220 million), including contingent rentals of HK\$318 million (2015: HK\$300 million)	6,129	6,110

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Directors' and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of directors are determined by the scope of responsibility and accountability, and performance of individual Executive Directors, taking into consideration of the Group's performance and profitability, market practice and prevailing business conditions, etc.

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

Name	Fees HK\$ Million	Salaries, allowances and benefits in kind HK\$ Million	Discretionary bonuses HK\$ Million	Group's contributions to retirement scheme HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Executive Directors						
Ronnie C. Chan	1.9	25.3	9.0	2.5	38.7	37.6
Philip N.L. Chen	1.4	23.8	9.0	1.8	36.0	34.5
H.C. Ho	1.4	4.8	3.6	0.4	10.2	10.1
Adriel W. Chan (Appointed on November 19, 2016)	0.2	0.5	0.1	–	0.8	–
Non-Executive Directors						
Gerald L. Chan	0.7	–	–	–	0.7	0.7
George K.K. Chang (Appointed on March 11, 2015)	0.8	–	–	–	0.8	0.6
Roy Y.C. Chen (Appointed on September 19, 2015)	0.7	–	–	–	0.7	0.2
Independent Non-Executive Directors						
Simon S.O. Ip	1.0	–	–	–	1.0	0.9
L.C. Tsui	0.8	–	–	–	0.8	0.8
Martin C.K. Liao	0.8	–	–	–	0.8	0.7
P.W. Liu (Appointed on March 11, 2015)	1.2	–	–	–	1.2	1.5
Ex-Directors						
S.S. Yin (Retired on April 29, 2015)	–	–	–	–	–	0.4
H.K. Cheng (Retired on April 29, 2015)	–	–	–	–	–	0.6
Laura L.Y. Chen (Passed away on May 18, 2015)	–	–	–	–	–	0.7
2016	10.9	54.4	21.7	4.7	91.7	89.3
2015	11.5	53.9	19.6	4.3	89.3	

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2015: three) are existing directors of the Company and the emoluments in respect of the remaining two (2015: two) individuals are as follows:

	2016 HK\$ Million	2015 HK\$ Million
Salaries, allowances and benefits in kind	9.0	8.6
Discretionary bonuses	2.7	2.7
Group's contributions to retirement scheme	0.4	0.4
	12.1	11.7

The emoluments of the above two (2015: two) individuals are within the following bands:

	Number of individuals	
	2016	2015
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$6,500,001 – HK\$7,000,000	–	1
HK\$7,000,001 – HK\$7,500,000	1	–
	2	2

- (c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company and of Hang Lung Properties Limited (“HLPL”). Details of which are disclosed in note 25(b).
- (d) During the years ended December 31, 2016 and 2015, there were no amounts paid to directors and senior executives above for compensation of loss of office and inducement for joining the Group.

8 TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss represents:

	2016 HK\$ Million	2015 HK\$ Million
Current tax		
Hong Kong Profits Tax	869	467
Over-provision in prior years	(10)	(8)
	859	459
China Income Tax	664	743
	1,523	1,202
Deferred tax		
Changes in fair value of properties	(145)	(68)
Other origination and reversal of temporary differences	94	82
Total (Note 19(b))	(51)	14
Total income tax expense	1,472	1,216

Provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2015: 25%) and China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

(b) Share of joint ventures' taxation for the year ended December 31, 2016 of HK\$34 million (2015: HK\$17 million) is included in the share of profits of joint ventures.

8 TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

(c) Reconciliation between actual tax expense and profit before taxation at applicable tax rates:

	2016 HK\$ Million	2015 HK\$ Million
Profit before taxation	8,377	7,207
Tax on profit before taxation at applicable rates	1,589	1,469
Tax effect of non-taxable income	(179)	(264)
Tax effect of non-deductible expenses	91	90
Tax effect of tax losses utilized and other deductible temporary differences	(180)	(286)
Tax effect of unrecognized tax losses	161	215
Over-provision in prior years	(10)	(8)
Actual tax expense	1,472	1,216

(d) There is no tax effect relating to the components of the other comprehensive income for the year.

9 DIVIDENDS

(a) Dividends attributable to the year

	2016 HK\$ Million	2015 HK\$ Million
Interim dividend declared and paid of HK19 cents (2015: HK19 cents) per share	258	257
Final dividend of HK61 cents (2015: HK61 cents) per share proposed after the end of the reporting period	831	827
	1,089	1,084

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) The final dividend of HK\$827 million (calculated based on HK61 cents per share and the total number of issued shares as at the dividend pay-out date) for the year ended December 31, 2015 was approved and paid in the year ended December 31, 2016 (2015: HK\$841 million).

10 EARNINGS PER SHARE

(a) The calculation of basic and diluted earnings per share is based on the following data:

	2016 HK\$ Million	2015 HK\$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	3,713	3,211
	Number of shares	
	2016 Million	2015 Million
Weighted average number of shares used in calculating basic earnings per share	1,358	1,355
Effect of dilutive potential shares – share options	–	2
Weighted average number of shares used in calculating diluted earnings per share	1,358	1,357

(b) The underlying net profit attributable to shareholders which excluded changes in fair value of properties net of related deferred tax and non-controlling interests, is calculated as follows:

	2016 HK\$ Million	2015 HK\$ Million
Net profit attributable to shareholders	3,713	3,211
Effect of changes in fair value of properties	254	(676)
Effect of corresponding deferred tax	(145)	(68)
Effect of changes in fair value of investment properties of joint ventures	4	(96)
	113	(840)
Non-controlling interests	(54)	329
	59	(511)
Underlying net profit attributable to shareholders	3,772	2,700

The earnings per share based on underlying net profit attributable to shareholders are:

	2016	2015
Basic	HK\$2.78	HK\$1.99
Diluted	HK\$2.78	HK\$1.99

11 PROPERTY, PLANT AND EQUIPMENT

	Investment properties HK\$ Million	Investment properties under development HK\$ Million	Others HK\$ Million	Total HK\$ Million
Cost or valuation:				
At January 1, 2015	128,357	25,611	704	154,672
Exchange adjustment	(4,347)	(1,257)	(13)	(5,617)
Additions	494	4,540	97	5,131
Disposals	(27)	–	(4)	(31)
Net increase in fair value	676	–	–	676
Transfer in/(out)	12,185	(12,185)	–	–
At December 31, 2015 and January 1, 2016	137,338	16,709	784	154,831
Exchange adjustment	(4,920)	(1,019)	(59)	(5,998)
Additions	842	1,483	205	2,530
Disposals	(3)	–	(8)	(11)
Net decrease in fair value	(594)	–	–	(594)
Transfer (out)/in (Note)	–	(1,013)	1,013	–
Transfer from properties for sale (Note 16)	342	–	–	342
At December 31, 2016	133,005	16,160	1,935	151,100
Accumulated depreciation:				
At January 1, 2015	–	–	398	398
Exchange adjustment	–	–	(5)	(5)
Charge for the year	–	–	55	55
Written back on disposals	–	–	(2)	(2)
At December 31, 2015 and January 1, 2016	–	–	446	446
Exchange adjustment	–	–	(7)	(7)
Charge for the year	–	–	57	57
Written back on disposals	–	–	(7)	(7)
At December 31, 2016	–	–	489	489
Net book value:				
At December 31, 2016	133,005	16,160	1,446	150,611
At December 31, 2015	137,338	16,709	338	154,385
Cost or valuation of the property, plant and equipment is made up as follows:				
December 31, 2016				
Valuation	133,005	16,160	–	149,165
Cost	–	–	1,935	1,935
	133,005	16,160	1,935	151,100
December 31, 2015				
Valuation	137,338	16,709	–	154,047
Cost	–	–	784	784
	137,338	16,709	784	154,831

Note:

In accordance with the Group's accounting policy in note 1(f)(I), certain investment properties under development were reclassified as other property, plant and equipment upon the change in use as evidenced by the commencement of construction for Shenyang Forum 66 hotel.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment properties under development measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurement at December 31, 2016		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million
Investment properties	–	133,005	–
Investment properties under development	–	–	16,160

	Fair value measurement at December 31, 2015		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million
Investment properties	–	137,338	–
Investment properties under development	–	–	16,709

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, there were no transfers between levels of fair value hierarchy (2015: transfer from investment properties under development to investment properties of HK\$12,185 million upon opening of Dalian Olympia 66 mall and Shenyang Forum 66 office tower).

The investment properties and investment properties under development of the Group were revalued as at December 31, 2016 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis. Management has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Fair value measurement of properties (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

(iii) Information about Level 3 fair value measurements

The fair value of investment properties under development in mainland China is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated development costs to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development costs or profit margin, the lower the fair value of investment properties under construction.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs of each of the Group's investment properties under development ranged from HK\$1.7 billion to HK\$16.9 billion (2015: HK\$3.7 billion to HK\$17.8 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

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

	Investment properties under development – Mainland China	
	2016 HK\$ Million	2015 HK\$ Million
At January 1	16,709	25,611
Exchange adjustment	(1,019)	(1,257)
Additions	1,483	4,540
Increase in fair value	–	–
Transfer to Level 2	–	(12,185)
Transfer to other property, plant and equipment	(1,013)	–
At December 31	16,160	16,709
Total gains for the year included in profit or loss	–	–

Fair value adjustments of investment properties and investment properties under development is recognized in "Net (decrease)/increase in fair value of properties" in the consolidated statement of profit or loss.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) An analysis of net book value of properties is as follows:

	Investment properties		Investment properties under development	
	2016 HK\$ Million	2015 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
In Hong Kong				
– long term leases (over 50 years)	38,328	38,124	–	–
– medium term leases (10 to 50 years)	22,155	21,609	–	–
Outside Hong Kong				
– long term leases (over 50 years)	1,156	1,234	798	824
– medium term leases (10 to 50 years)	71,366	76,371	15,362	15,885
	133,005	137,338	16,160	16,709

(c) The net book value of other property, plant and equipment of the Group included long term leases of HK\$9 million (2015: HK\$9 million) in respect of land and building held in Hong Kong, medium term leases of HK\$1,127 million (2015: HK\$7 million) and long term leases of HK\$37 million (2015: HK\$41 million) in respect of land and buildings held outside Hong Kong respectively.

Property leasing revenue includes gross rental income from investment properties of HK\$8,326 million (2015: HK\$8,330 million).

(d) The Group leases out its properties under operating leases. Leases typically run for an initial period of two to five years, with some having the option to renew, at which time all terms are renegotiated. Long term leases contain rent review or adjustment clauses and the Group has a regular proportion of its leases up for renewal each year. Certain leases include contingent rentals calculated with reference to the revenue of tenants.

At the end of the reporting period, the Group's total future minimum lease income under non-cancellable operating leases in respect of investment properties were as follows:

	2016 HK\$ Million	2015 HK\$ Million
Within 1 year	5,585	6,085
After 1 year but within 5 years	7,007	7,279
After 5 years	602	823
	13,194	14,187

12 INTEREST IN JOINT VENTURES

	2016 HK\$ Million	2015 HK\$ Million
Share of net assets	2,764	2,691
Amounts due from joint ventures	782	771
Amounts due to joint ventures	(7)	(7)
	3,539	3,455

Amounts due from joint ventures are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next twelve months.

Amounts due to joint ventures are unsecured and interest-free with no fixed terms of repayment.

Details of principal joint ventures are set out in note 34. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

	2016 HK\$ Million	2015 HK\$ Million
Non-current assets	3,531	3,404
Current assets	296	319
Non-current liabilities	(920)	(906)
Current liabilities	(143)	(126)
Net assets	2,764	2,691

	2016 HK\$ Million	2015 HK\$ Million
Revenue	266	236
Profit and total comprehensive income for the year	129	256

13 OTHER ASSETS

	2016 HK\$ Million	2015 HK\$ Million
Advances to unlisted investee companies less provision	159	161
Intangible assets (Note)	1,182	1,182
	1,341	1,343

Note:

Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLPL, for transactions before July 1, 2009. At the end of the reporting period, an impairment test was performed by comparing the goodwill with its recoverable amount and no impairment was recorded.

14 CASH AND DEPOSITS WITH BANKS

	2016 HK\$ Million	2015 HK\$ Million
Time deposits	22,876	29,911
Cash at banks	1,648	1,571
Cash and deposits with banks in the consolidated statement of financial position	24,524	31,482
Less: Bank deposits with maturity greater than 3 months	(946)	(4,463)
Cash and cash equivalents in the consolidated cash flow statement	23,578	27,019

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.9% (2015: 3.2%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

	2016 HK\$ Million	2015 HK\$ Million
Hong Kong Dollars equivalent of:		
Renminbi	21,563	30,164
Hong Kong Dollars	2,950	1,306
United States Dollars	11	12
	24,524	31,482

The Group holds Renminbi bank deposits to meet its ongoing payment obligations in relation to its development projects in mainland China.

After deducting cash and deposits from bank loans and other borrowings, the net debt position of the Group at the end of the reporting period was as follows:

	2016 HK\$ Million	2015 HK\$ Million
Bank loans and other borrowings (Note 17)	31,119	37,330
Less: Cash and deposits	(24,524)	(31,482)
Net Debt	6,595	5,848

15 TRADE AND OTHER RECEIVABLES

- (a) Included in trade and other receivables are trade receivables (based on the due date) with the following terms:

	2016 HK\$ Million	2015 HK\$ Million
Not past due or less than 1 month past due (Note)	2,621	42
1 – 3 months past due	22	8
More than 3 months past due	13	4
	2,656	54

Note:

Not past due or less than one month past due receivables mainly represented property sales receivables for residential units sold in the second half of 2016. Most of the sales receivables would be settled over the next few months upon sales completion.

The balance of bad and doubtful debts is insignificant. The details on the Group's credit policy are set out in note 27(c).

- (b) Included in other receivables of the Group is a deposit of land acquisition in mainland China of HK\$279 million (2015: HK\$298 million).

16 PROPERTIES FOR SALE

	2016 HK\$ Million	2015 HK\$ Million
Completed properties for sale located in Hong Kong		
– long term leases (over 50 years)	1,658	1,810
– medium term leases (10 to 50 years)	712	2,038
	2,370	3,848
Completed properties for sale located outside Hong Kong		
– medium term leases (10 to 50 years)	4	4
	2,374	3,852

During the year ended December 31, 2016, properties for sale with a total cost of HK\$2 million (2015: Nil) were transferred to investment properties due to change in use. The fair value of these properties at the date of transfer was HK\$342 million and the difference between the fair value of these properties and their previous carrying amount was recognized in the consolidated statement of profit or loss.

17 BANK LOANS AND OTHER BORROWINGS

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

	2016 HK\$ Million	2015 HK\$ Million
Bank loans (Note (a))		
Within 1 year or on demand	568	6,645
After 1 year but within 2 years	4,484	2,074
After 2 years but within 5 years	12,374	13,883
Over 5 years	1,189	2,264
	18,615	24,866
Other borrowings (Note (b))		
After 1 year but within 2 years	375	–
After 2 years but within 5 years	4,918	810
Over 5 years	7,451	11,929
	12,744	12,739
	31,359	37,605
Less: unamortized front end fees	(240)	(275)
Total bank loans and other borrowings	31,119	37,330
Amount due within 1 year included under current liabilities	(568)	(6,640)
	30,551	30,690

- (a) All bank loans are interest-bearing at rates ranging from 0.7% to 5.9% (2015: 0.8% to 7.1%) per annum during the year.

Certain of the Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year, all these covenants have been complied with by the Group.

At December 31, 2016, the Group had HK\$13,052 million (2015: HK\$18,115 million) committed undrawn banking facilities.

- (b) A wholly-owned subsidiary of HLPL has a US\$3 billion (2015: US\$3 billion) Medium Term Note Program (the "Program"). At the end of the reporting period, the bonds have been issued with coupon rates ranged from 2.95% to 4.75% (2015: 2.95% to 4.75%) per annum under the Program.

18 TRADE AND OTHER PAYABLES

	2016 HK\$ Million	2015 HK\$ Million
Creditors and accrued expenses (Note (a))	4,563	5,116
Deposits received (Note (b))	2,198	2,237
	6,761	7,353

(a) Creditors and accrued expenses include retention money payable of HK\$307 million (2015: HK\$533 million) which is not expected to be settled within one year.

(b) Deposits received of HK\$1,289 million (2015: HK\$1,341 million) are not expected to be settled within one year.

Included in trade and other payables are trade creditors with the following aging analysis:

	2016 HK\$ Million	2015 HK\$ Million
Due within 1 month to 3 months	1,690	2,150
Due after 3 months	1,855	583
	3,545	2,733

19 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation

	2016 HK\$ Million	2015 HK\$ Million
Provision for Hong Kong Profits Tax	610	179
Provision for China Income Tax	372	398
	982	577

(b) Deferred taxation

	2016 HK\$ Million	2015 HK\$ Million
Deferred tax liabilities	9,494	10,144
Deferred tax assets	(22)	(19)
Net deferred tax liabilities	9,472	10,125

19 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**(b) Deferred taxation** (Continued)

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK\$ Million	Revaluation of properties HK\$ Million	Future benefit of tax losses HK\$ Million	Others HK\$ Million	Total HK\$ Million
At January 1, 2015	1,672	8,911	(2)	123	10,704
Exchange adjustment	(70)	(519)	–	(4)	(593)
Charged/(Credited) to profit or loss (Note 8(a))	115	(68)	–	(33)	14
At December 31, 2015 and January 1, 2016	1,717	8,324	(2)	86	10,125
Exchange adjustment	(76)	(524)	–	(2)	(602)
Charged/(Credited) to profit or loss (Note 8(a))	113	(145)	–	(19)	(51)
At December 31, 2016	1,754	7,655	(2)	65	9,472

Included in “Others” are mainly deferred tax liabilities recognized in respect of undistributed profits of foreign investment enterprises in mainland China.

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK\$5,510 million (2015: HK\$4,855 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2016. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

20 SHARE CAPITAL

Movements of the Company's ordinary shares are set out below:

	2016		2015	
	Number of shares Million	Amount of share capital HK\$ Million	Number of shares Million	Amount of share capital HK\$ Million
Ordinary shares, issued and fully paid:				
At January 1	1,355	3,893	1,355	3,893
Shares issued under share option scheme	7	172	–	–
At December 31	1,362	4,065	1,355	3,893

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

21 RESERVES

(a) The Group

	Other reserves							Total reserves HK\$ Million
	Investment revaluation reserve HK\$ Million	Exchange reserve HK\$ Million	Employee share-based compensation reserve HK\$ Million	General reserve HK\$ Million	Other capital reserve HK\$ Million	Total HK\$ Million	Retained profits HK\$ Million	
At January 1, 2015	38	4,741	387	275	1,817	7,258	64,875	72,133
Profit for the year	–	–	–	–	–	–	3,211	3,211
Net movement in investment revaluation reserve	(38)	–	–	–	–	(38)	–	(38)
Exchange difference arising from translation of foreign subsidiaries	–	(3,212)	–	–	–	(3,212)	–	(3,212)
Total comprehensive income for the year	(38)	(3,212)	–	–	–	(3,250)	3,211	(39)
Final dividend in respect of previous year	–	–	–	–	–	–	(841)	(841)
Interim dividend in respect of current year	–	–	–	–	–	–	(257)	(257)
Employee share-based payments	–	–	46	–	–	46	24	70
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	511	511	–	511
At December 31, 2015 and January 1, 2016	–	1,529	433	275	2,328	4,565	67,012	71,577
Profit for the year	–	–	–	–	–	–	3,713	3,713
Exchange difference arising from translation of foreign subsidiaries	–	(3,170)	–	–	–	(3,170)	–	(3,170)
Total comprehensive income for the year	–	(3,170)	–	–	–	(3,170)	3,713	543
Final dividend in respect of previous year	–	–	–	–	–	–	(827)	(827)
Interim dividend in respect of current year	–	–	–	–	–	–	(258)	(258)
Issue of shares	–	–	(35)	–	–	(35)	–	(35)
Employee share-based payments	–	–	44	–	–	44	18	62
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	531	531	–	531
At December 31, 2016	–	(1,641)	442	275	2,859	1,935	69,658	71,593

21 RESERVES (Continued)

(a) The Group (Continued)

The retained profits for the Group at December 31, 2016 included HK\$551 million (2015: HK\$468 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises the exchange differences arising from the translation of the financial statements of the Group's entities relating to mainland China.

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(v). The general reserve was derived from retained profits and is distributable. The other capital reserve represents any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange when acquiring an additional non-controlling interest in an existing subsidiary.

(b) The Company

	Other reserves			Retained profits HK\$ Million	Total reserves HK\$ Million
	Employee share-based compensation reserve HK\$ Million	General reserve HK\$ Million	Total HK\$ Million		
At January 1, 2015	35	862	897	10,752	11,649
Profit and total comprehensive income for the year	–	–	–	1,964	1,964
Final dividend in respect of previous year	–	–	–	(841)	(841)
Interim dividend in respect of current year	–	–	–	(257)	(257)
At December 31, 2015 and January 1, 2016	35	862	897	11,618	12,515
Profit and total comprehensive income for the year	–	–	–	2,987	2,987
Final dividend in respect of previous year	–	–	–	(827)	(827)
Interim dividend in respect of current year	–	–	–	(258)	(258)
Employee share-based payments	(35)	–	(35)	–	(35)
At December 31, 2016	–	862	862	13,520	14,382

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2016 was HK\$14,382 million (2015: HK\$12,480 million).

21 RESERVES (Continued)

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity and debt to equity) and cash flow requirements, taking into account its future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net debt position as at December 31, 2016 (Note 14). Net debt to equity ratio and debt to equity ratio as at December 31, 2016 were 4.8% (2015: 4.2%) and 22.5% (2015: 26.6%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 NON-CONTROLLING INTERESTS

Non-controlling interests represent the equity interests attributable to other shareholders, including their share of profit or loss, in respect of the subsidiaries not wholly-owned by the Group. Details of movement of non-controlling interests are set out in the consolidated statement of changes in equity.

23 CASH GENERATED FROM OPERATIONS

	2016 HK\$ Million	2015 HK\$ Million
Profit before taxation	8,377	7,207
Adjustments for:		
Gain on disposal of investment properties	(8)	(69)
Gain on disposal of listed investments	–	(62)
Bank interest income	(809)	(1,142)
(Gain)/Loss on remeasurement of derivative financial instruments	(203)	101
Dividend income from unlisted investments	(20)	(1)
Finance costs	1,202	1,147
Depreciation	57	55
Loss on disposal of other property, plant and equipment	1	2
Net decrease/(increase) in fair value of properties	254	(676)
Share of profits of joint ventures	(129)	(256)
Employee share-based payments	103	150
Decrease in properties for sale	1,531	170
(Increase)/Decrease in trade and other receivables	(2,810)	777
Increase in creditors and accrued expenses	502	552
Increase in deposits received	44	260
Cash generated from operations	8,092	8,215

24 COMMITMENTS

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

	2016 HK\$ Million	2015 HK\$ Million
Contracted for	6,349	1,540
Authorized but not contracted for	30,781	37,927
	37,130	39,467

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties in various cities in mainland China.

25 EMPLOYEE BENEFITS

(a) Retirement benefits

The Group operates a defined contribution provident fund scheme for its employees. The assets of the scheme are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers.

Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group. Total contributions made by the Group for the year amounted to HK\$29 million (2015: HK\$26 million) and forfeited sums refunded to the Group amounted to HK\$2 million (2015: HK\$1 million).

A master trust Mandatory Provident Fund Scheme (the "MPF Scheme") is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK\$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK\$7 million (2015: HK\$6 million).

As the Group's provident fund scheme is an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme"), eligibility for membership of the ORSO and MPF schemes is identical. New employees are offered a one-off option to join either the ORSO or the MPF scheme.

Staff in the Company's subsidiaries operating in mainland China are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK\$55 million (2015: HK\$55 million).

25 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits

The Company

The share option scheme adopted by the Company on November 24, 2000 has expired. No further options shall be offered thereunder, but in all other respects the provisions of the scheme shall remain in full force and effect and all options granted prior to such expiration and not exercised at the expiry date shall remain valid.

Under the scheme, the board of directors (the “Board”) of the Company is authorized to grant options to selected participants, including employees and directors of any company in the Group, to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The exercise price of the options is determined by the Board at the time of grant, and shall be the higher of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

Hang Lung Properties Limited

The share option scheme adopted by the Company’s subsidiary, HLPL, on November 22, 2002 (the “2002 Share Option Scheme”) was terminated upon the adoption of a new share option scheme on April 18, 2012 (the “2012 Share Option Scheme”, together with the 2002 Share Option Scheme are referred to as the “Schemes”). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2012 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

The purposes of the Schemes are to enable HLPL to grant options to selected participants as incentives or rewards for their contributions to HLPL group, to attract skilled and experienced personnel, to incentivize them to remain with HLPL group and to motivate them to strive for the future development and expansion of HLPL group by providing them with the opportunity to acquire equity interests in HLPL.

25 EMPLOYEE BENEFITS (Continued)**(b) Equity compensation benefits** (Continued)*Hang Lung Properties Limited (Continued)*

Under the Schemes, the Board of HLPL is authorized to grant options to selected participants, including employees and directors of any company in HLPL group, subject to the terms and conditions such as performance targets as the Board of HLPL may specify on a case-by-case basis or generally. The exercise price of the options is determined by the Board of HLPL at the time of grant, and shall not be less than the higher of the nominal value of HLPL shares, the closing price of HLPL shares at the date of grant and the average closing price of HLPL shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of HLPL shares subject to each option are determined by the Board of HLPL at the time of grant.

As at the date of this report, the total number of HLPL shares available for issue under the 2012 Share Option Scheme is 277,926,253 shares, representing 6.18% of the total number of issued shares of HLPL. The total number of HLPL shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of HLPL shares in issue.

- The movement of share options of the Company during the year is as follows:

Date granted	Number of share options			Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2016	Exercised	Outstanding on December 31, 2016		
November 20, 2006	6,700,000	(6,700,000)	–	November 20, 2007 to November 19, 2016	20.52
Total	6,700,000	(6,700,000)	–		

All the above options may vest after one to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the year.

25 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

- (i) Movements in the number of share options of the Company outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	20.52	6,700,000	20.52	6,700,000
Exercised	20.52	(6,700,000)	–	–
Outstanding at December 31	–	–	20.52	6,700,000
Exercisable at December 31	–	–	20.52	6,700,000

- (ii) The weighted average closing price of the shares immediately before the date of exercise by the director during the year was HK\$24.66. No share options were exercised by the employee during the year.

The weighted average closing share price at the date of exercise for share options during the year was HK\$24.67.

2. The movements of share options of HLPL during the year are as follows:

(i) 2002 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2016	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2016	Exercised	Forfeited/ Lapsed			
November 14, 2006 to March 19, 2007	1,725,000	(400,000)	(435,000)	890,000	November 14, 2007 to March 18, 2017	16.75 – 22.55
August 21, 2007 to December 31, 2008	30,722,000	–	(200,000)	30,522,000	August 21, 2008 to December 30, 2018	17.36 – 27.90
February 8, 2010 to June 1, 2010	13,380,000	–	–	13,380,000	February 8, 2012 to May 31, 2020	26.46 – 27.27
July 29, 2010 to June 13, 2011	32,018,000	–	(668,000)	31,350,000	July 29, 2012 to June 12, 2021	30.79 – 36.90
Total	77,845,000	(400,000)	(1,303,000)	76,142,000		

25 EMPLOYEE BENEFITS (Continued)**(b) Equity compensation benefits** (Continued)*(i) 2002 Share Option Scheme (Continued)*

All the above options may vest after one/two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the year.

During the year, 868,000 options were forfeited upon cessations of the grantees' employments and 435,000 options lapsed due to the expiry of the period for exercising the options.

Movements in the number of share options of HLPL outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	26.90	77,845,000	25.77	91,613,000
Exercised	16.75	(400,000)	17.30	(11,866,000)
Forfeited	24.72	(868,000)	32.08	(1,902,000)
Lapsed	16.75	(435,000)	–	–
Outstanding at December 31	26.99	76,142,000	26.90	77,845,000
Exercisable at December 31	26.99	76,142,000	26.46	69,837,800

No share options were exercised by the directors during the year. The weighted average closing price of the shares of HLPL immediately before the dates of exercise by the employees during the year was HK\$18.27 (2015: HK\$21.44).

The weighted average closing share price of HLPL at the dates of exercise for share options during the year was HK\$18.47 (2015: HK\$17.23).

The weighted average remaining contractual life of HLPL options outstanding at the end of the reporting period was 2.7 years (2015: 3.7 years).

25 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

Date granted	Number of share options			Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2016	Forfeited/ Lapsed	Outstanding on December 31, 2016		
June 4, 2013	31,580,000	(1,810,000)	29,770,000	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	30,350,000	(2,416,000)	27,934,000	December 5, 2016 to December 4, 2024	22.60
Total	61,930,000	(4,226,000)	57,704,000		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options of HLPL were granted or cancelled during the year.

During the year, 4,226,000 options were forfeited upon cessations of the grantees' employments.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	25.46	61,930,000	25.45	66,020,000
Forfeited	25.00	(4,226,000)	25.30	(4,090,000)
Outstanding at December 31	25.49	57,704,000	25.46	61,930,000
Exercisable at December 31	26.87	11,724,000	28.20	3,158,000

The weighted average remaining contractual life of options of HLPL outstanding at the end of the reporting period was 7.1 years (2015: 8.1 years).

(iii) In respect of share options of the Company and HLPL granted to the directors of the Company, who were also directors of HLPL, the related charge recognized for the year ended December 31, 2016, estimated in accordance with the Group's accounting policy in note 1(v)(2) was as follows:

- (1) Mr. Ronnie C. Chan, HK\$10.9 million (2015: HK\$16.6 million);
- (2) Mr. Philip N.L. Chen, HK\$10.6 million (2015: HK\$20.4 million);
- (3) Mr. H.C. Ho, HK\$7.3 million (2015: HK\$12.2 million); and
- (4) Mr. Adriel W. Chan, HK\$0.1 million (2015: Nil).

(iv) The valuation of share option granted was estimated at the date of grant using a Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted.

26 RELATED PARTY TRANSACTIONS

Except for the emoluments to directors and key management disclosed in notes 7 and 25(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any related party transactions during the years in its ordinary course of business.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise. In addition, the Group maintains the Medium Term Note Program which facilitates the Group to mitigate future interest rate volatility and re-financing risks.

The interest rates of interest-bearing financial assets and liabilities are disclosed in notes 14 and 17.

Based on the simulations performed at year end in relation to the Group's bank deposits and borrowings, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's profit after taxation and total equity by approximately HK\$64 million (2015: HK\$81 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- changes in market interest rates affect the interest income and interest expense of floating rate financial instruments and bank borrowings; and
- all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2015.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

The Group manages its surplus cash centrally and the liquidity risk of the Company and its subsidiaries at the corporate level. The objective is to ensure that an adequate amount of cash and committed bank facilities are available to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

	Contractual undiscounted cash flow					
	Carrying amount HK\$ Million	Total HK\$ Million	Within 1 year HK\$ Million	Between 1 and 2 years HK\$ Million	Between 2 and 5 years HK\$ Million	Over 5 years HK\$ Million
Bank loans and other borrowings	31,119	36,778	1,798	6,028	19,817	9,135
Trade and other payables	6,761	6,761	5,165	872	541	183
At December 31, 2016	37,880	43,539	6,963	6,900	20,358	9,318

	Contractual undiscounted cash flow					
	Carrying amount HK\$ Million	Total HK\$ Million	Within 1 year HK\$ Million	Between 1 and 2 years HK\$ Million	Between 2 and 5 years HK\$ Million	Over 5 years HK\$ Million
Bank loans and other borrowings	37,330	44,165	7,943	3,285	17,661	15,276
Trade and other payables	7,353	7,353	5,479	1,061	615	198
At December 31, 2015	44,683	51,518	13,422	4,346	18,276	15,474

(c) Credit risk

The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Except for sale of properties developed by the Group, it does not hold any collateral over the receivables. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any other guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(d) Currency risk

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to US\$1,000 million (2015: US\$1,000 million). The currency risk arising from the USD denominated bonds is hedged by back-to-back USD/HKD cross currency swaps.

The Group engages in property development and investments in mainland China through its local subsidiaries whose net assets are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB19,349 million (2015: RMB25,480 million), for which there are currency risks but which are held to meet its ongoing Renminbi payment obligations in relation to its development projects in mainland China. Where appropriate, the Group seeks to minimize its exposure to currency risk in mainland China through borrowings denominated in Renminbi.

Management estimated that a 5% (2015: 5%) appreciation / depreciation of Renminbi against Hong Kong dollar would increase / decrease the Group's equity attributable to shareholders by HK\$2,290 million (2015: HK\$2,525 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2015.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value

The fair value of the Group's financial instruments are measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(i) *Financial assets and liabilities measured at fair value*

The fair value of listed investments, classified as available-for-sale equity securities, are measured using quoted prices in an active market for identical assets (level 1).

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement of fair value is recognized immediately in the consolidated statement of profit or loss.

The fair value of cross currency swaps as at December 31, 2016 of HK\$102 million recorded under "Trade and other receivables" (December 31, 2015: HK\$101 million recorded under "Trade and other payables") in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at December 31, 2015 and 2016.

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 11(a), 25(b) and 27(e) contain information about the assumptions and their risk relating to valuation of investment properties and investment properties under development, fair value of share options granted and listed investments and derivative financial instruments. Other key sources of estimation uncertainty are as follows:

(a) *Properties held for sale*

The Group determines the net realizable value of unsold properties based on estimation of future selling price less costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

(b) *Impairment of assets*

The Group tests regularly whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate. These calculations require the use of estimates.

(c) *Income taxes*

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the consolidated statement of financial position of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgments based on the assessment of future financial performance, the amount of future taxable profits and the timing of when these will be realized.

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	Note	2016 HK\$ Million	2015 HK\$ Million
Non-current asset			
Interest in subsidiaries	30	18,832	16,817
Current liabilities			
Trade and other payables		14	13
Total assets less current liabilities		18,818	16,804
Non-current liabilities			
Amounts due to subsidiaries	30(b)	371	396
NET ASSETS		18,447	16,408
Capital and reserves			
Share capital	20	4,065	3,893
Reserves	21	14,382	12,515
TOTAL EQUITY		18,447	16,408

Philip N.L. Chen
Managing Director

H.C. Ho
Executive Director

30 INTEREST IN SUBSIDIARIES

	2016 HK\$ Million	2015 HK\$ Million
Unlisted shares, at cost	181	181
Amounts due from subsidiaries (Note (a))	18,651	16,636
	18,832	16,817

Details of principal subsidiaries are set out in note 33.

The following table lists out the information relating to HLPL in which the Group has material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

	2016 HK\$ Million	2015 HK\$ Million
NCI percentage at the end of the reporting period	44.9%	45.7%
Non-current assets	144,291	147,726
Current assets	30,616	36,292
Current liabilities	(7,827)	(12,000)
Non-current liabilities	(34,935)	(37,126)
Net assets	132,145	134,892
Carrying amount of NCI	59,333	61,646
Revenue	13,059	8,948
Profit for the year	6,607	5,545
Total comprehensive income for the year	845	(185)
Profit allocated to NCI	2,967	2,534
Dividend paid to NCI	1,840	2,429
Net cash flow:		
generated from operating activities	6,735	5,460
generated from/(used in) investing activities	1,613	(9,334)
used in financing activities	(10,033)	(7,331)

- (a) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next twelve months.
- (b) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next twelve months.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2016

The Group has not early applied the following amendments and new standards which have been issued by the HKICPA but are not yet effective for the year ended December 31, 2016.

		Effective for accounting periods beginning on or after
Amendments to HKAS 7	Statements of cash flows: Disclosure initiative	January 1, 2017
HKFRS 9	Financial Instruments	January 1, 2018
HKFRS 15	Revenue from contracts with customers	January 1, 2018
HKFRS 16	Leases	January 1, 2019

The adoption of HKFRS 9, HKFRS 16 and amendments to HKAS 7 is unlikely to have a significant impact on the consolidated financial statements. In respect of revenue recognition of sale of completed properties, the current policy is set out in note 1(q). Under HKFRS 15, revenue from sale of goods or provision of services will be recognized when the customer obtains control of the promised good or service in the contract. Management is assessing the impact of the adoption of HKFRS 15 and based on its initial assessment it is expected that its adoption may result in a change of the timing of recognition of revenue arising from sale of completed properties.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on January 26, 2017.

33 PRINCIPAL SUBSIDIARIES

At December 31, 2016

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Akihiro Company Limited	2	100	100	Property development & leasing	Hong Kong
Antonis Limited*	10,000	55.1	–	Property leasing	Hong Kong
AP City Limited	2	55.1	–	Property leasing	Hong Kong
AP Joy Limited	2	55.1	–	Property development & leasing	Hong Kong
AP Properties Limited				Property development & leasing	Hong Kong
'A' shares	34	55.1	–		
'B' shares	6	55.1	–		
AP Star Limited*	2	55.1	–	Investment holding	Hong Kong
AP Success Limited	2	55.1	–	Property leasing	Hong Kong
AP Universal Limited*	2	55.1	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	55.1	–	Property leasing	Hong Kong
AP World Limited	2	55.1	–	Property development	Hong Kong
Bayliner Investment Ltd.*	US\$1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding & securities trading	Hong Kong
Bonna Estates Company Limited	1,000,000	55.1	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	55.1	–	Property leasing	Hong Kong
Cititop Limited	2	55.1	–	Property development & leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	54.1	–		
'B' share	1	55.1	–		
Country First Enterprises Limited	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	57.1	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	55.1	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

33 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2016

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	100	–		
'B' share	1	55.1	–		
Easegood Enterprises Limited	2	55.1	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited	2	100	100	Investment holding	Hong Kong
Folabs Limited*	2	100	–	Property leasing	Hong Kong
Fu Yik Company Limited*	3	55.1	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	55.1	–	Investment holding	Hong Kong
Glory View Properties Limited*	2	100	100	Property leasing	Hong Kong
Gowily Limited	2	55.1	–	Property leasing	Hong Kong
Grand Centre Limited	4	55.1	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	55.1	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	62,163,123	55.1	–		
'B' shares	6,000,000	55.1	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	55.1	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	55.1	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	55.1	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	55.1	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	55.1	–	Management services	Hong Kong
Hang Lung (China) Limited	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung Enterprises Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Financial Services Limited	2	100	100	Financial services	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong

33 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2016

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Hang Lung (Jiangsu) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	55.1	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	55.1	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	55.1	–	Investment holding	Hong Kong
Hang Lung Park-In Limited	2	55.1	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	55.1	–	Project management	Hong Kong
Hang Lung Properties Limited	4,497,575,670	55.1	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	55.1	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	55.1	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hebo Limited	2	100	100	Property development	Hong Kong
HL Enterprises Limited*	2	100	100	Investment holding	Hong Kong
HL Mortgage (HTG) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NH) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NP) Limited*	2	100	100	Financial services	Hong Kong
HLP (China) Administrative Limited	1	55.1	–	Management services	Hong Kong
HLP (China) Limited	2	55.1	–	Investment holding	Hong Kong
HLP Finance Limited [#]	US\$1	55.1	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	55.1	–	Financial services	Hong Kong
HLP Treasury Limited	2	55.1	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	55.1	–	Investment holding	Hong Kong
Hoi Sang Limited*	2	55.1	–	Investment holding	Hong Kong
Kindstock Limited*	2	100	–	Investment holding	Hong Kong

33 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2016

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Lockoo Limited*	1,000,002	55.1	–	Property development	Hong Kong
Luckyson Investments Limited	10,000	100	–	Investment holding	Hong Kong
Lungsun Mortgage (PV) Limited*	20	89.7	–	Financial services	Hong Kong
Mansita Limited*	2	55.1	–	Property leasing	Hong Kong
Modalton Limited	2	55.1	–	Property leasing	Hong Kong
Monafat Limited*	2	55.1	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	55.1	–	Property leasing	Hong Kong
Pocaliton Limited	2	55.1	–	Property leasing	Hong Kong
Prosperland Housing Limited	1,560,000	100	100	Investment holding	Hong Kong
Purotat Limited*	2	100	100	Investment holding	Hong Kong
Rago Star Limited	2	55.1	–	Property leasing	Hong Kong
Scotat Limited	2	89.7	–	Investment holding	Hong Kong
Stanman Properties Limited	20	100	100	Property development & leasing	Hong Kong
Stocket Limited	2	55.1	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Tegraton Limited	2	55.1	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Wai Luen Investment Company, Limited*	100,000	55.1	–	Property leasing	Hong Kong
Yangli Limited*	2	55.1	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding & securities trading	Hong Kong

33 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2016

Wholly Foreign Owned Enterprises in mainland China	Registered Capital	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB4,136,877,355	55.1	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB5,187,321,800	55.1	–	Property development	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB5,382,096,324	55.1	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	55.1	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	55.1	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$4,229,600,000	55.1	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB3,837,746,261	55.1	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB492,716,180	55.1	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB4,850,000,000	55.1	–	Property development	Mainland China
Equity Joint Ventures in mainland China	Registered Capital (US\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	53.8	–	Property development & leasing	Mainland China
Shanghai Heng Cheng Real Estate Development Co., Ltd.	17,766,000	70	–	Property development	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	53.7	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

34 PRINCIPAL JOINT VENTURES

At December 31, 2016

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Daily Win Development Limited	400	25	–	Property leasing	Hong Kong
Hang Hing Mortgage (TH) Limited	2	50	–	Financial services	Hong Kong
Hang Lung-Hakuyosha Dry Cleaning Limited	519,000	50	–	Dry and laundry cleaning	Hong Kong
Metro Classic Holdings Limited	US\$1	20	–	Property development	British Virgin Islands
Metro Trade International Limited	US\$60	20	–	Property development	British Virgin Islands
Newfoundworld Finance Limited	100,000	20	–	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	20	–	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US\$5	20	–	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	20	–	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	–	Property development	Hong Kong
Star Play Development Limited	3	18.4	–	Property leasing	Hong Kong

The above companies are not audited by KPMG.

The above list gives the principal joint ventures of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.