SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

Report of the Directors and Audited Consolidated Financial Statements

31 December 2015

CONTENTS

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

Principal activities and business review

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, joint ventures and associates are set out in notes 1, 18 and 19 to the consolidated financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2015 and the Group's financial position at that date are set out in the consolidated financial statements on pages 4 to 118.

Dividends amounting to RMB791,735,000 (equivalent to HK$959,783,000) were paid to the immediate parent on 28 August 2015.

Share capital

There were no movements in the Company's share capital during the year.

Distributable reserves

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK$22,839,428,000.

Directors

The directors of the Company during the year and as at the date of this report are as follows:

Li Lin
Hu Xuejing
Ning Gaoning (appointed on 1 April 2016)
Liu Deshu (resigned on 1 April 2016)

In accordance with the Company's articles of association, all the remaining directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' rights to acquire shares

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

Directors' interests in transactions, arrangements or contracts

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangements or contracts of significance to the business of the Company to which the holding companies of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

Events after the reporting period

Details of the significant events of the Group after the reporting period are set out in note 49 to the consolidated financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

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Ning Gaoning

Director

Hong Kong

26 April 2016

EY 安永
Building a better working world

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Independent auditors' report
To the members of Sinochem Hong Kong (Group) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries set out on pages 4 to 118, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
Hong Kong
26 April 2016

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	4	339,546,096	504,041,293
Cost of sales		(328,396,036)	(489,892,547)
Gross profit		11,150,060	14,148,746
Other income, gains and losses, net	5	1,690,700	547,340
Selling and distribution expenses		(2,133,248)	(2,192,654)
Administrative expenses		(2,993,184)	(3,146,249)
Fair value changes of investment properties		1,254,136	2,251,247
Finance costs:	6		
Interest expenses		(2,400,292)	(2,800,681)
Transaction costs		-	(48,675)
Share of profits or losses of:			
Joint ventures		(182,596)	(286,902)
Associates		(54,284)	203,779
PROFIT BEFORE TAX	7	6,331,292	8,675,951
Income tax expense	8	(3,471,723)	(4,777,577)
PROFIT FOR THE YEAR		2,859,569	3,898,374
Profit/(loss) attributable to:			
Owners of the parent		(305,167)	588,298
Non-controlling interests		3,164,736	3,310,076
		2,859,569	3,898,374

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		2,859,569	3,898,374
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	20	794,205	153,012
Reclassification adjustments for losses included in profit or loss:			
- disposal of investments		(804,286)	(162,132)
Cash flow hedges, net of tax		26,583	-
Exchange differences on translation of foreign operations		(5,926,103)	(209,726)
Reclassification adjustments of exchange reserve to profit or loss:			
- de-registration of subsidiaries		(120,331)	-
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(6,029,932)	(218,846)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation, net of tax		274,048	21,049
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(5,755,884)	(197,797)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(2,896,315)	3,700,577
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(2,763,390)	479,447
Non-controlling interests		(132,925)	3,221,130
		(2,896,315)	3,700,577

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	19,401,519	17,446,292
Land under development	11	12,814,409	9,559,660
Properties under development	12	22,424,035	27,737,752
Investment properties	13	25,575,355	24,465,844
Prepaid land lease payments	14	3,542,449	2,675,661
Goodwill	15	4,055,380	4,094,684
Intangible assets	16	2,706,606	2,858,371
Oil and gas properties	17	41,104,193	47,030,106
Investments in joint ventures	18	1,855,420	1,821,488
Investments in associates	19	16,819,319	13,701,138
Available-for-sale investments	20	1,540,668	4,748,729
Amounts due from related parties	21	12,034,932	12,204,310
Amounts due from non-controlling interests	22	-	126,760
Deferred tax assets	35	1,702,386	1,543,194
Other non-current assets	23	643,797	380,147
Total non-current assets		166,220,468	170,394,136
CURRENT ASSETS			
Inventories	24	9,269,378	8,375,667
Land under development	11	5,567,890	3,400,450
Properties under development	12	23,181,183	18,319,131
Properties held for sale	25	7,539,877	7,618,885
Prepaid land lease payments	14	75,594	78,931
Trade and bills receivables	26	14,663,118	18,475,577
Prepayments, deposits and other receivables	27	8,927,818	7,042,380
Amounts due from related parties	21	25,124,490	29,390,360
Held-for-trading investments	28	-	8,375
Tax recoverable		482,610	351,376
Derivative financial instruments	29	761,130	4,056,597
Pledged bank deposits	30	3,291,179	1,598,259
Cash and cash equivalents	30	18,548,767	16,820,819
Other financial assets	23	47,744	-
Other deposits		1,430	191,661
Total current assets		117,482,208	115,728,468

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SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2015

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	31	35,629,316	48,559,103
Other payables and accruals	32	27,316,635	21,306,067
Derivative financial instruments	29	845,320	3,211,402
Interest-bearing borrowings	33	12,151,105	12,114,615
Amounts due to related parties	21	19,367,433	9,687,624
Tax payable		1,939,240	2,244,165
Provision for land appreciation tax	34	2,263,328	2,392,926
Other current liability		-	271
Total current liabilities		99,512,377	99,516,173
NET CURRENT ASSETS		17,969,831	16,212,295
TOTAL ASSETS LESS CURRENT LIABILITIES		184,190,299	186,606,431
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	33	70,494,755	71,215,807
Deferred tax liabilities	35	8,708,655	8,047,052
Deferred income		127,864	146,773
Amounts due to related parties	21	238,720	253,520
Other non-current liabilities	36	2,453,548	3,307,543
Total non-current liabilities		82,023,542	82,970,695
NET ASSETS		102,166,757	103,635,736
CAPITAL AND RESERVES			
Issued capital	37	23,753,000	23,753,000
Perpetual capital securities	38	4,619,260	4,619,260
Reserves		26,217,144	31,956,700
Equity attributable to owners of the parent		54,589,404	60,328,960
Non-controlling interests		47,577,353	43,306,776
TOTAL EQUITY		102,166,757	103,635,736

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Director

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Director

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners of the parent												Attributable to non-controlling interests		
		Issued capital HK$'000	Capital reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	Merger reserve HK$'000 (Note b)	Statutory reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other contribution reserve HK$'000 (Note d)	Perpetual capital securities HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Share of net assets of subsidiaries HK$'000	Share option reserve of subsidiaries HK$'000	Total equity HK$'000
At 1 January 2015		23,753,000	640,364	126,617	(3,836,771)	2,227,798	589,791	3,923,615	2,449,637	4,619,260	-	25,835,649	60,328,960	43,286,002	20,774	103,635,736
Profit for the year		-	-	-	-	-	-	-	-	-	-	(305,167)	(305,167)	3,164,736	-	2,859,569
Other comprehensive income/(loss) for the year																
Change in fair value of available-for-sale investments	20	-	-	-	-	-	771,494	-	-	-	-	-	771,494	22,711	-	794,205
Reclassification adjustment for losses included in profit or loss - disposal of investments		-	-	-	-	-	(804,286)	-	-	-	-	-	(804,286)	-	-	(804,286)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	26,583	-	26,583	-	-	26,583
Gains on property revaluation, net of tax		-	-	266,852	-	-	-	-	-	-	-	-	266,852	7,196	-	274,048
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(2,598,535)	-	-	-	-	(2,598,535)	(3,327,568)	-	(5,926,103)
Reclassification adjustment of exchange reserve to profit or loss - de-registration of subsidiaries		-	-	-	-	-	-	(120,331)	-	-	-	-	(120,331)	-	-	(120,331)
Total comprehensive income for the year, net of tax		-	-	266,852	-	-	(32,792)	(2,718,866)	-	-	26,583	(305,167)	(2,763,390)	(132,925)	-	(2,896,315)
Issue of shares to non-controlling interests (Note e)		-	(1,299,518)	-	-	-	-	-	-	-	-	-	(1,299,518)	5,647,825	-	4,348,307
Exercise of share options		-	-	-	-	-	-	-	-	-	-	-	-	10,411	(1,579)	8,832
Equity-settled share-based payment of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	4,575	5,365	9,940
Acquisition of non-controlling interests		-	(105,291)	-	-	-	-	-	-	-	-	-	(105,291)	(1,173,055)	-	(1,278,346)
Dilution in relation to deemed disposal of interest in an associate (note 19 (i))		-	(455,206)	-	-	-	-	-	-	-	-	-	(455,206)	(409,383)	-	(864,589)
De-registration of subsidiaries		-	-	-	-	(2,461)	-	-	-	-	-	243,417	240,956	(16,796)	-	224,160
Transfer from retained profits		-	-	-	-	377,375	-	-	-	-	-	(377,375)	-	-	-	-
Dividends distributed (note 9)		-	-	-	-	-	-	-	-	-	-	(959,783)	(959,783)	-	-	(959,783)
Partial disposal of subsidiaries without loss of control		-	(3,307)	-	-	-	-	-	-	-	-	-	(3,307)	1,957,250	-	1,953,943
Transfer of share option reserve upon the forfeiture or expiry of share options		-		-	-	-	-	-	-	-	-	5,370	5,370	-	(5,370)	-
Dividends declared by subsidiaries to non-controlling interests		-	17,543	-	-	-	-	-	-	-	-	(184,355)	(166,812)	(1,323,650)	-	(1,490,462)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	25,333	-	25,333
Perpetual capital securities' distribution paid		-	-	-	-	-	-	-	-	-	-	(232,575)	(232,575)	-	-	(232,575)
China Jinmao Holdings Group Limited ("Jinmao") issued perpetual convertible securities' distribution paid		-	-	-	-	-	-	-	-	-	-	-	-	(317,424)	-	(317,424)
Maintenance and production fund		-	-	-	-	-	-	-	(19,662)	-	-	19,662	-	-	-	-
At 31 December 2015		23,753,000	(1,205,415)*	393,469*	(3,836,771)*	2,602,712*	556,999*	1,204,749*	2,429,975*	4,619,260	26,583*	24,044,843*	54,589,404	47,558,163	19,190	102,166,757

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SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2015

	Notes	Attributable to owners of the parent											Attributable to non-controlling interests		
		Issued capital HK$'000	Capital reserve HK$'000 (note a)	Asset revaluation reserve HK$'000	Merger reserve HK$'000 (note b)	Statutory reserve HK$'000 (note c)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other contribution reserve HK$'000 (note d)	Perpetual capital securities HK$'000	Retained profits HK$'000	Total HK$'000	Share of net assets of subsidiaries HK$'000	Share option reserve of subsidiaries HK$'000	Total equity HK$'000
At 1 January 2014		21,872,000	189,820	105,568	(3,836,771)	1,635,109	595,568	4,047,738	2,477,963	4,619,260	27,646,923	59,353,178	37,286,364	14,183	96,653,725
Profit for the year		-	-	-	-	-	-	-	-	-	588,298	588,298	3,310,076	-	3,898,374
Other comprehensive income/(loss) for the year															
Available-for-sale investments:															
Change in fair value, net of tax	20	-	-	-	-	-	156,355	-	-	-	-	156,355	(3,343)	-	153,012
Reclassification adjustment for losses included in profit or loss:															
- Disposal of investments		-	-	-	-	-	(162,132)	-	-	-	-	(162,132)	-	-	(162,132)
Gains on property revaluation, net of tax		-	-	21,049	-	-	-	-	-	-	-	21,049	-	-	21,049
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(124,123)	-	-	-	(124,123)	(85,603)	-	(209,726)
Total comprehensive income for the year, net of tax		-	-	21,049	-	-	(5,777)	(124,123)	-	-	588,298	479,447	3,221,130	-	3,700,577
Issue of shares	37	1,881,000	-	-	-	-	-	-	-	-	-	1,881,000	-	-	1,881,000
Equity-settled share-based payment of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	6,385	11,117	17,502
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	-	-	4,526	4,526	-	(4,526)	-
Jinmao issued perpetual convertible securities' distribution paid		-	-	-	-	-	-	-	-	-	-	-	(317,424)	-	(317,424)
Deemed disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(127,546)	-	(127,546)
Transfer from retained profits		-	-	-	-	636,985	-	-	-	-	(636,985)	-	-	-	-
Dividends distributed	9	-	-	-	-	-	-	-	-	-	(1,474,452)	(1,474,452)	-	-	(1,474,452)
Dividend paid by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(1,354,062)	-	(1,354,062)
Capital contribution from non-controlling interests		-	27,811	-	-	-	-	-	-	-	-	27,811	1,529,477	-	1,557,288
Partial disposal of a subsidiary without loss of control		-	2,259	-	-	-	-	-	-	-	-	2,259	282,908	-	285,167
Perpetual capital securities' distribution paid		-	-	-	-	-	-	-	-	-	(232,900)	(232,900)	-	-	(232,900)
Repurchase of shares by Jinmao under the Companies Ordinance		-	243,539	-	-	-	-	-	-	-	(132,383)	111,156	(319,567)	-	(208,411)
Changes in the ownership interests in Jinmao (China) Investments Holdings Limited ("JCIHL")		-	279,194	-	-	-	-	-	-	-	-	279,194	3,193,514	-	3,472,708
Distribution guarantee		-	(102,259)	-	-	-	-	-	-	-	-	(102,259)	(58,732)		(160,991)
De-registration of subsidiaries		-	-	-	-	(899)	-	-	-	-	899	-	(56,445)	-	(56,445)
Disposal of a subsidiary		-	-	-	-	(43,397)	-	-	-	-	43,397	-	-	-	-
Maintenance and production fund		-	-	-	-	-	-	-	(28,326)	-	28,326	-	-	-	-
At 31 December 2014		23,753,000	640,364*	126,617*	(3,836,771)*	2,227,798*	589,791*	3,923,615*	2,449,637*	4,619,260	25,835,649*	60,328,960	43,286,002	20,774	103,635,736

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Notes:

(a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions transfer of equity interest in a joint venture to the Group in previous years; and (iii) contribution made by the shareholders to the Company's subsidiaries.

(b) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquiree as consideration for the group restructuring transactions.

(c) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant People's Republic of China (the "PRC") rules and regulations, the Group's PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the reserve fund and enterprise expansion fund is determined by the articles of association of the Company's subsidiaries and approval by the boards of directors of the subsidiaries.

(d) Other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with the relevant PRC regulations on certain enterprises.

(e) On 17 June 2015, China Jinmao Holdings Group Limited ("Jinmao", formerly known as Franshion Properties (China) Limited, changed to its current name on 25 August 2015) allotted and issued an aggregate of 1,600,000,000 placing of new shares to the placers, namely New China Life Insurance Company Ltd., GIC Private Limited, Earn Max Enterprises Limited and Dynasty Hill Holdings Limited, at the placing price of HK$2.73 per share. After the placing, the Group's equity interest in Jinmao decreased from 63.52% to 53.98%. The difference between the share of net assets attributable to the non-controlling interests after the placing and the consideration of the placing and the impact of reallocation of a proportion of the goodwill amounting to HK$1,299,518,000 was recorded in the consolidated capital reserve.

* These reserve accounts comprise the consolidated reserves of HK$26,217,144,000 (2014: HK$31,956,700,000) in the consolidated statement of financial position.

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,331,292	8,675,951
Adjustments for:			
Losses/(gains) on disposal of:			
Property, plant and equipment	5	5,056	8,690
Subsidiaries	5	(4,367)	(2,270)
Associates	5	19,764	-
Available-for-sale investments	5	-	(149,977)
Other assets	5	(1,406)	(308)
Gain on deemed disposal of subsidiaries	5	-	(1,703)
Loss on de-registration of subsidiaries	5	148,831	-
Write-off of non-demand payables	5	(9,269)	(14,830)
Write-off of oil and gas properties	5	-	376,004
Impairment losses on:			
Oil and gas properties	5	186,942	-
Property, plant and equipment	5	35,104	9,468
Interests in joint ventures	5	-	91,186
Impairment losses, net of reversal, on trade and bills receivables, and other receivables		9,565	56,822
Write-down of inventories	7	67,486	51,382
Fair value losses/(gains) on:			
Held-for-trading investments	5	-	3,326
Derivative financial instruments	5	(31,890)	32,311
Transfers from properties held for sale to investment properties	5	(347,453)	-
Finance costs	6	2,400,292	2,849,356
Share of profits or losses of joint ventures		182,596	286,902
Share of profits or losses of associates		54,284	(203,779)
Interest income		(1,092,289)	(894,461)
Fair value changes of investment properties		(1,254,136)	(2,251,247)
Depreciation of:			
Oil and gas properties	7	3,253,704	3,449,165
Property, plant and equipment	7	770,181	710,602
Amortisation of:			
Other non-current assets	7	7,047	8,250
Intangible assets	7	111,614	116,678
Prepaid land lease payments	7	82,314	72,040
Dividend income from available-for-sale investments	5	(3,787)	(3,841)
Equity-settled share option expense	7	9,940	17,502
		10,931,415	13,293,219
Increase in inventories		(1,005,951)	(1,352,564)
Increase in land under development		(5,785,742)	(2,693,552)
Increase in properties under development		(15,804,922)	(25,536,628)
Decrease in properties held for sale		10,891,443	14,165,566
Decrease in trade and bills receivables		3,718,649	6,333,461
(Increase)/decrease in prepayments, deposits and other receivables		(1,618,347)	2,663,637
Decrease/(increase) in amounts due from related parties		15,677,433	(4,259,678)

continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
(Decrease)/increase in trade and bills payables		(12,908,147)	6,839,341
Increase/(decrease) in other payables and accruals and other current liabilities		6,361,190	(4,223,499)
Increase/(decrease) in derivative financial instruments		728,759	(85,803)
(Decrease)/increase in amounts due to related parties		3,808,771	(3,623,937)
Decrease in deferred income and other non-current liabilities		(19,269)	(3,344)
Cash generated from operations		14,975,282	1,516,219
Income tax paid		(2,087,476)	(2,224,180)
Land appreciation tax paid		(1,001,703)	(888,163)
Net cash flows from operating activities		11,886,103	(1,596,124)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,031,622	894,461
Dividends received from:			
Joint ventures		114,675	435,744
Associates		37,590	150,073
Available-for-sale investments		3,787	3,841
Purchases of items of property, plant and equipment		(1,717,877)	(2,485,126)
Proceeds from disposal of items of property, plant and equipment		9,111	19,168
Proceeds from disposal of available-for-sale investments		3,402,778	644,779
Proceeds from disposal of other non-current assets, intangible assets and associates		5,325	3,997
Increase of other financial assets		(144,127)	-
Purchase of investment properties		(29,690)	(24,037)
Purchase of oil and gas properties		(1,649,270)	(2,573,875)
Additions to prepaid land lease payments		(4,665)	(24,633)
Increase in other non-current assets and intangible assets		(50,108)	(95,875)
Disposal/deemed disposal of subsidiaries	39	12,121	(1,379,755)
Payment of provision for dismantlement costs		-	(11,945)
Additional investments in joint ventures		(1,088,946)	(6,195)
Additional investments in associates		(4,856,245)	(529,535)
Increase in long-term receivables		-	(67,674)
Purchases of available-for-sale investments		(234,085)	(615,478)
(Increase)/decrease in pledged bank deposits		6,338	(6,338)
Increase in restricted bank deposits		(1,699,258)	(1,288,521)
Placement of other deposits		(22,900,149)	(20,373,510)
Proceeds from withdrawal of other deposits		23,086,764	21,058,887
Increase in amounts due from related parties		(5,849,477)	(5,204,285)
Increase in advances of loans to non-controlling interests		(634,630)	(1,241,667)
Increase in entrusted loans to third parties		(806,225)	-
Deregistration of subsidiaries		-	(56,445)
Net cash flows used in investing activities		(13,954,641)	(12,773,944)

continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of domestic corporate bonds		2,726,155	-
Proceeds from short-term commercial paper		2,488,200	-
Perpetual capital securities' distribution paid		(232,575)	(232,900)
Perpetual convertible securities' distribution paid		(317,424)	(317,424)
Issue of capital	37	-	1,881,000
New bank loans and other loans		46,344,347	86,280,043
Repayment of bank loans and other loans		(52,248,397)	(76,837,584)
Proceeds from notes issuance under medium-term note programme		2,079,345	7,362,434
Capital contribution from non-controlling interests		25,333	1,557,288
Dividends paid		(959,783)	(1,474,452)
Dividends paid to non-controlling interests of subsidiaries		(951,848)	(1,354,062)
Proceeds from partial disposal of a subsidiary without loss of control		1,953,943	285,167
Interest paid		(4,260,957)	(4,005,967)
Issue of shares to non-controlling interests		4,348,307	-
Increase/(decrease) in amounts due to related parties		4,396,370	(4,807,772)
Changes in the ownership interests in JCIHL		-	3,472,708
Proceeds from exercise of options		8,832	-
Acquisition of non-controlling interests		(1,169,966)	-
Repurchase of shares		-	(208,411)
Net cash flows from financing activities		4,229,882	11,600,068
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,161,344	(2,770,000)
Cash and cash equivalents at beginning of year		16,820,819	19,636,921
Effect of foreign exchange rate changes, net		(433,396)	(46,102)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	18,548,767	16,820,819

1. CORPORATE AND GROUP INFORMATION

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal joint ventures and associates are set out in notes 18 and 19 to the consolidated financial statements, respectively.

In the opinion of the directors, the Company's ultimate holding company is Sinochem Group (the "Ultimate Parent"), and the immediate parent is Sinochem Corporation Co., Ltd. ("Sinochem Corporation"), both of them are established in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinmao	Hong Kong	HK$10,671,811,000	53.97%	-	Investment holding
Sinochem International Chemicals (Hong Kong) Limited	Hong Kong	HK$27,233,500	100.00%	-	Trading of chemical products
Sinochem International Oil (Hong Kong) Company Limited	Hong Kong	HK$20,000,000	100.00%	-	Trading of oil products
Sinochem Europe Capital Corporation Limited	British Virgin Islands ("BVI")	US$1,000	100.00%	-	Investment holding
Sinofert Holdings Limited ("Sinofert")	Bermuda	HK$702,446,000	52.65%	-	Investment holding
Sinochem Asia Holding Co., Ltd.	Singapore	US$50,642,154	100.00%	-	Investment holding
Sinochem Europe Holdings PLC	United Kingdom	US$13,031,000	100.00%	-	Investment holding
Sinochem International Petroleum (Bahamas) Co., Ltd.	Nassau	RMB41,383	100.00%	-	Trading of crude oil and petroleum products
Sinochem Petroleum Netherlands Cooperatief U.A.	Netherlands	US$1,441,955,000	100.00%	-	Exploration and production of crude oil
Sinochem Petroleum Limited 中化石油（开曼）有限公司	Cayman Islands	US$572,600,000	100.00%	-	Trading and production of crude oil
Sinochem Resources UK Limited	United Kingdom	US$435,370,161	100.00%	-	Investment holding
Sinochem (United Kingdom) Limited	United Kingdom	US$4,805,642	100.00%	-	Trading of chemicals

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sinochem Overseas Capital Company Limited	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Offshore Capital Company Limited	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Overseas Trading Co., Ltd.	BVI	US$1	100.00%	-	Investment holding
Sinochem CP Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem International Oil (London) Co., Ltd.	United Kingdom	RMB200,992,143	100.00%	-	Trading of petroleum products
Sinochem Global Capital Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of capital securities
Sinochem Japan Co., Ltd.	Japan	RMB4,613,894	-	100.00%	General trading and commission agency
Sinochem Kingsway Capital Inc.	Cayman Islands	HK$10,000	-	70.00%	Investment holding
Emerald Energy Plc.	Isle of Man	British Pound 6,821,565	-	100.00%	Exploration and production of hydrocarbons
Sinochem Petroleo Brazil Limited ("SPBL")	Brazil	US$950,590,000	-	100.00%	Exploration and production of hydrocarbons
Shanghai Pudong Jinxin Real Estate Development Co., Ltd. (note iii)	PRC	US$5,600,000	-	26.99%	Investment holding
Shanghai International Shipping Service Centre Co., Ltd. ("SISSC") 上海国际航运服务中心有限公司 (note iii)	PRC	RMB3,150,000,000	-	26.99%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.	PRC	US$635,000,000	-	53.97%	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui") (note iii)	PRC	RMB1,355,000,000	-	26.99%	Property development
Qingdao Franshion Development Co., Ltd.	PRC	RMB100,000,000	-	53.97%	Investment holding

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chongqing Xingtuo development Co., Ltd.	PRC	US$200,000,000	-	53.97%	Property development
Changsha Jinmao City Construction Limited	PRC	RMB2,962,500,000	-	53.97%	Land development
Franshion Properties (Hangzhou) Limited (note ii)	PRC	RMB1,882,350,000	-	45.87%	Property development
Beijing Chemsunny Property Co., Ltd. 北京凯晨置业有限公司	PRC	RMB102,400,000	-	53.97%	Property investment
Sinochem Jin Mao Property Management (Beijing) Co., Ltd.	PRC	RMB5,000,000	-	53.97%	Property management
Sinochem International Property & Hotels Management Co., Ltd.	PRC	RMB387,600,000	-	53.97%	Property management
Wangfujing Hotel Management Co., Ltd. (note ii)	PRC	US$73,345,000	-	35.91%	Hotel operation
Changsha Qianjing Property Development Co., Ltd.	PRC	RMB8,000,000	-	53.97%	Property development
China Jin Mao Group Co., Ltd. (note ii)	PRC	RMB2,635,000,000	-	35.91%	Hotel operation and property investment
Shanghai Jin Mao Construction & Decoration Co., Ltd.	PRC	RMB50,000,000	-	53.97%	Provision of building decoration services
Jin Mao (Beijing) Real Estate Co., Ltd. (note ii)	PRC	RMB1,600,000,000	-	35.91%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd. (note ii)	PRC	RMB300,000,000	-	35.91%	Hotel operation
Beijing Franshion Rongchuang Properties Limited (note ii)	PRC	RMB100,000,000	-	27.52%	Property development
Changsha Jin Mao Meixi Lake International Plaza Properties Limited	PRC	US$600,000,000	-	53.97%	Property development
Changsha Meixi Lake International Research and Development Limited (note ii)	PRC	RMB10,000,000	-	43.18%	Property development

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Changsha Xing Mao Investment Co., Ltd.	PRC	RMB10,000,000	-	53.97%	Investment holding
Sanya Yazhouwan Economic Development Co., Ltd. ("Sanya Yazhouwan") (note ii)	PRC	RMB160,000,000	-	27.52%	Land development
Jin Mao Sanya Tourism Co., Ltd. (note ii)	PRC	RMB500,000,000	-	35.91%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd. (note ii)	PRC	RMB700,000,000	-	35.91%	Hotel operation
Jin Mao (Li Jiang) Properties Co., Ltd.	PRC	RMB100,000,000	-	53.97%	Property development
Jin Mao (Li Jiang) Hotel Investment Co., Ltd. (note ii)	PRC	RMB100,000,000	-	35.91%	Property development
Jin Mao Investment (Changsha) Co., Ltd. (note ii)	PRC	RMB3,750,000,000	-	43.18%	Land development
Jinmao Hangzhou Property Development Co., Ltd.	PRC	RMB1,600,000,000	-	53.97%	Property development
Chongqing Xinghao Development Co., Ltd.	PRC	US$135,000,000	-	53.97%	Property development
Chongqing Xingqian Properties Development Co., Ltd. (note iv)	PRC	RMB2,884,540,000	-	24.29%	Property development
Qingdao Xingchuang Development Co., Ltd.	PRC	US$150,000,000	-	53.97%	Property development
Foshan Maoxing Development Co., Ltd.	PRC	RMB10,000,000	-	53.97%	Property development
Ningbo Xingmao Property Development Co., Ltd.	PRC	US$350,000,000	-	53.97%	Property development
Changsha Xingye Property Development Co., Ltd.	PRC	US$150,000,000	-	53.97%	Property development
Nanjing Xingtuo Investment Co., Ltd. (note ii)	PRC	RMB3,000,000,000	-	43.18%	Land development
Franshion Development Limited	BVI/Hong Kong	US$1	-	53.97%	Investment holding
Franshion Investment Limited	BVI/Hong Kong	US$1	-	53.97%	Investment holding
Franshion Brilliant Limited	BVI/Hong Kong	US$1	-	53.97%	Investment holding
Changsha Franshion Shengrong Properties Limited ("Franshion Shengrong") (note ii)	PRC	RMB500,160,000	-	27.52%	Property development

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Changsha Meixi Lake Jin Yue Properties Limited (note ii)	PRC	RMB150,000,000	-	37.78%	Property development
Franshion Properties (Suzhou) Limited (note ii)	PRC	US$395,000,000	-	43.18%	Property development
Franshion Properties (Ningbo) Limited (note ii)	PRC	US$254,000,000	-	27.52%	Property development
Shanghai Xingwaitan Development and Construction Limited ("Shanghai Xingwaitan") (note iii)	PRC	RMB6,000,000,000	-	26.99%	Property development
Jin Mao (Shanghai) Real Estate Co., Ltd.	PRC	RMB1,010,000,000	-	53.97%	Property development
Beijing Franshion Yicheng Properties Limited ("Jinmao Yicheng") (note ii)	PRC	RMB1,742,800,000	-	53.97%	Property development
Nanjing International Group Limited (note iv)	PRC	RMB1,246,237,500	-	26.45%	Property development, hotel operation and property investment
JCIHL (notes i and ii)	Cayman Islands	HK$2,000,000	-	35.91%	Investment holding
Guangzhou Xingtuo Properties Limited (note ii)	PRC	RMB2,260,000,000	-	48.57%	Property development
China Fertilizer (Holdings) Co., Ltd.	BVI	US$10,002	-	52.65%	Investment holding
Wah Tak Fung (B.V.I.) Limited	BVI	US$1,000,000	-	52.65%	Investment holding
Calories Ltd.	Hong Kong	HK$34,000	-	52.65%	Investment holding
Sinochem Fertilizer (Overseas) Holdings Ltd.	BVI	US$10,002	-	52.65%	Investment holding
Dohigh Trading Limited	Hong Kong	HK$15,000,000	-	52.65%	Fertiliser trading
Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer")	PRC	RMB10,600,000,000	-	52.65%	Fertiliser trading
Sinochem Fertilizer Macao Commercial Offshore Limited	Macao	MOP100,000	-	52.65%	Fertiliser trading
Suifenhe Xinkaiyuan Trading Co., Ltd.	PRC	RMB5,000,000	-	52.65%	Fertiliser trading
Fujian Sinochem Zhisheng Chemical Fertilizer Co., Ltd. (note v)	PRC	RMB47,000,000	-	28.00%	Sale and manufacture of fertilisers

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. (note v)	PRC	RMB148,000,000	-	31.59%	Sale and manufacture of fertilisers
Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	PRC	RMB500,000,000	-	52.65%	Sale and manufacture of feeds stuff
Sinochem Yantai Crop Nutrition Co., Ltd.	PRC	US$1,493,000	-	52.65%	Sale and manufacture of fertilisers
Sinochem Jilin Changshan Chemical Co., Ltd. (note v)	PRC	RMB1,018,650,000	-	49.90%	Sale and manufacture of fertilisers
Hubei Sinochem Orient Fertilizer Co., Ltd. (note v)	PRC	RMB30,000,000	-	42.12%	Sale and manufacture of fertilisers
Sinochem Shandong Fertilizer Co., Ltd. (note v)	PRC	RMB100,000,000	-	26.85%	Sale and manufacture of fertilisers
Sinochem Fert-Mart Agricultural Superstore Co., Ltd.	PRC	RMB100,000,000	-	52.65%	Fertiliser retailing
Sinochem Hainan Crop Science and Technology Co., Ltd.	PRC	RMB200,000,000	-	52.65%	Sale of fertilisers
Pingyuan County Xinglong Textile Co., Ltd. (note v)	PRC	RMB15,000,000	-	39.49%	Sale and manufacture of textiles
Manzhouli Kaiming Fertilizer Co., Ltd.	PRC	RMB5,000,000	-	52.65%	Fertiliser trading

Notes:

(i) Ordinary shares of JCIHL are stapled to units of a trust namely Jinmao Investments which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCIHL and its subsidiaries are collectively referred to as the JCIHL Group.

(ii) The Company holds 53.97% of the shares of Jinmao, and Jinmao holds more than 50% of the registered capital of these entities or the parent company of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.

(iii) Jinmao holds 50% of the registered capital of these entities, but Jinmao controls the boards of directors of these entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over their operating and financial activities. Since Jinmao is a subsidiary of the Company, these entities are accounted for as a subsidiary by virtue of the Company's control over them.

(iv) These entities are subsidiaries of non-wholly-owned subsidiaries of Jinmao and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

1. CORPORATE AND GROUP INFORMATION (continued)

Notes: (Continued)

(v) The Company holds 52.65% of the shares of Sinofert, and Sinofert holds more than 50% of the registered capital of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value.

In addition to these consolidated financial statements of the Group, there was a set of separate financial statements of the Company issued on 26 April 2016.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As the Company is a Hong Kong incorporated company, the directors of the Company consider that it is more appropriate to have the consolidated financial statements presented in HK$.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
Profit or loss and each component of other comprehensive income attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's consolidated financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) *Annual Improvements to HKFRSs 2010-2012 cycle*: (continued)

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
[4] No Mandatory effective date determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group's policy is to recognise any gain or loss on dilution directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations

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

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement
The Group measures its investment properties, derivative financial instruments, held-for-trading investments and listed equity investments in available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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 (a);
- (vii) a person identified in (a)(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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% to 9.5%
Land and buildings	Over the shorter of the term of the lease or 20 to 50 years
Leasehold improvements	18% to 33.3%
Furniture and fixtures	3.8% to 33.3%
Office and machinery equipment	7.14% to 25%
Motor vehicles	8.3% to 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted prospectively if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leasehold land and buildings originally classified as investment properties at fair value are transferred to property, plant and equipment at a deemed cost equal to their fair value at the date of change in use.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for in asset revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Oil and gas properties

For oil and gas properties, the successful efforts method of accounting is adopted. The Group capitalises the initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement and charged to profit or loss as exploration expenses. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalised and are reviewed periodically for impairment.

Producing oil and gas properties are depreciated on a unit-of-production basis over the proved developed reserves.
Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated based on the proved developed reserves of the respective oil and gas properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil and gas properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Capitalised acquisition costs of proved properties are depreciated on a unit-of-production method over the total proved reserves of the relevant oil and gas properties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life, while the pipeline usage rights acquired in business combination are amortised based on the units of production method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable reserves as the depletion base.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “Prepaid land lease payments” in the consolidated statement of financial position and is amortised over the lease term on the straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project cost, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group’s proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds from properties sold in the ordinary course of business, less applicable variable selling expenses, or by management’s estimates based on the prevailing market conditions, on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As at 31 December 2015, the Group's financial assets included available-for-sale investments, amounts due from related parties, financial assets included in other non-current assets, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, held-for-trading investments, derivative financial instruments, pledged bank deposits, cash and cash equivalents, other financial assets and other deposits.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss except crude oil derivative financial instruments are carried in the statement of financial position at fair value with net changes in fair value presented as other income, gains and losses in profit or loss. Crude oil derivative financial instruments are carried in the statement of financial position at fair value with net changes in fair value presented as revenue in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Financial assets at fair value through profit or loss (continued)
Derivative financial instruments are subsequently measured at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income, gains and losses in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other income, gains and losses for receivables.

Available-for-sale financial investments
Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income, gains and losses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, interest-bearing borrowings, and amounts due to related parties.

Subsequent measurement

The Group subsequently measures its financial liabilities based on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Equity instrument

The equity instrument issued by the Group is recorded at the proceeds received, net of the direct issue cost.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
Initial recognition and subsequent measurement (continued)
For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method, except for the fertiliser-related inventories using the moving weighted-average method. In the case of work in progress and finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provision above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Dismantlement liability is recognised when the Group has a present legal or constructive obligation as a result of the past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment or oil and gas properties. The amount recognised is the estimated cost of dismantlement, discounted to its present value using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Changes in the estimated timing of dismantlement or dismantlement cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the dismantlement provision is included as a finance cost.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) sales and purchases of physical commodities, which are not settled net, are presented on a gross basis as revenue and cost of goods sold in profit or loss. Activities related to trading and commodity-based derivative instruments are reported on a net basis, with the margin included in revenue;

(c) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(d) from the land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(e) from the crude oil, natural gas, and other items are recognised when title passes to the customer, which is when the risk of ownership passes to the purchaser and physical delivery of goods occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry;

(f) from the oil and gas producing properties in which the Group has an interest with other producers are recognised based on the actual crude oil and natural gas volumes the Group sold during the period. Any differences between volumes sold and entitlement volumes, based on our net working interest, which are deemed to be non-recoverable through remaining production, are recognised as accounts receivable or accounts payable, as appropriate. Cumulative differences between volumes sold and entitlement volumes are generally not significant;

(g) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in profit or loss when they arise;

(h) hotel, property management and other services income, in the period in which such services are rendered;

(i) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(j) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(k) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services (continued)
Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments
Equity-settled share-based payments
The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on the straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve of subsidiaries.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to issued equity. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve of subsidiaries will be transferred to retained profits.

Retirement benefit costs
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends
Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies
In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates at the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, the exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the parent are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(a) Reserve base

Oil and gas properties are depreciated on a unit-of-production basis at a rate calculated by reference to proved reserves. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the production sharing contracts. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group’s oil and gas properties has been impaired.

(b) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(c) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(d) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(a) Carrying value of oil and gas properties

The calculation of the unit-of-production rate for oil and gas properties amortisation could be impacted to the extent that actual production in the future is different from the current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves. These factors could include changes in proved reserves, the effect on proved reserves of differences between actual commodity prices and commodity price assumptions and unforeseen operational issues. The carrying amount of oil and gas properties at 31 December 2015 was HK$41,104,193,000 (2014: HK$47,030,106,000).

(b) Impairment of non-financial assets other than goodwill and inventories

The Group assesses its non-financial assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable and, as a result, charges for impairment are recognised in the Group's results from time to time. Such indicators include changes in the Group's business plans, changes in commodity prices leading to sustained unprofitable performance, an increase in the discount rate, change in estimation on future production period due to statutory requirements and approval, low plat utilisation, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated volumes or increases in estimated future development expenditure. If there are low oil prices, natural gas prices, refining margins or marketing margins and disapproval of future productions during an extended period, the Group may need to recognise significant impairment charges.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as political risks in the locations where assets are located, future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

(c) Dismantlement costs

Dismantlement costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate dismantlement costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(d) Carrying amount of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such a provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2015 was HK$18,382,299,000 (2014: HK$12,960,110,000).

(e) Measurement of cost from land development

Development costs of land are recorded as land under development during the construction stage and an apportionment of these costs will be recognised in profit or loss upon the recognition of the revenue of the land under development. Before the final settlement of the development costs and other costs relating to the land under development, these costs are accrued by the Group based on management's best estimate.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in profit or loss upon recognition of the sale of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of that phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2015 was HK$45,605,218,000 (2014: HK$46,056,883,000).

(g) PRC land appreciation tax ("LAT")

One subsidiary of the Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. The final outcome may be different from the amounts that were initially recorded, and the differences will affect the current income tax expense and LAT provision in the period when LAT is ascertained. The carrying amount of provision for LAT at 31 December 2015 was HK$2,263,328,000 (2014: HK$2,392,926,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(h) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- current prices in active markets for properties of a different nature, condition or location, adjusted to reflect those differences;

- recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

- discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2015 was HK$25,575,335,000 (2014: HK$24,465,844,000). Further details, including the key assumptions used for the fair value measurement, are given in note 13 to the consolidated financial statements.

(i) Estimation of net realisable value of properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amount of properties held for sale at 31 December 2015 was HK$7,539,877,000 (2014: HK$7,618,885,000).

(j) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group’s technological experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for a future period are adjusted if there are significant changes from previous estimations.

(k) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was HK$620,855,000 (2014: HK$440,304,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(l) Deferred tax liabilities

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If these distributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liabilities would have increased by the same amount of approximately HK$1,752,382,000 (2014: HK$1,308,270,000).

(m) PRC corporate income tax

Some subsidiaries of the Group are subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining in the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2015 was HK$1,821,561,000 (2014: HK$2,125,436,000).

(n) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2015 was HK$4,055,380,000 (2014: HK$4,094,684,000).

(o) Impairment of trade and bills receivables and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade and bills receivables and other receivables at 31 December 2015 were HK$14,663,118,000 (2014: HK$18,475,577,000) and HK$1,617,609,000 (2014: HK$1,467,754,000), respectively.

(p) Impairment of inventories

Determining whether inventories are impaired requires an estimation of its net realisable value. Net realisable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. The Group reassesses these estimates at the end of each reporting period. As at 31 December 2015, the carrying amount of inventories was HK$9,269,378,000 (2014: HK$8,375,667,000).

4. REVENUE AND BUSINESS ANALYSIS

Revenue

Revenue, which is also the Group's turnover, is analysed as follows:

	2015 HK$'000	2014 HK$'000
Sales of crude oil and petroleum products	277,213,764	427,927,888
Sales of fertilisers	32,497,743	35,751,239
Sales of chemical products	6,296,909	9,700,512
Sales of properties	16,315,936	21,895,188
Hotel operation	2,257,460	2,126,655
Gross rental income	1,460,881	1,373,648
Land development	1,580,687	3,650,038
Property management	465,090	474,429
Others	1,457,626	1,141,696
	339,546,096	504,041,293

Business analysis

The Group analyses its business activities into the following operating segments: (i) oil and gas, (ii) fertilisers, (iii) real estate, and (iv) others (mainly chemical product trading, chartered shipping services and securities investment). The following is an analysis of the Group's revenue and results by operating segment.

	Oil and gas HK$'000	Fertilisers HK$'000	Real estate HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Year ended 31 December 2015						
REVENUE						
External sales	277,213,764	32,497,743	22,080,054	7,754,535	-	339,546,096
Inter-segment sales	178,329	-	30,255	5,369,659	(5,578,243)	-
Total	277,392,093	32,497,743	22,110,309	13,124,194	(5,578,243)	339,546,096
Segment profit/(loss)	(1,439,292)	451,468	7,967,722	2,665,287	(1,604,782)	8,040,403
Interest income						1,092,289
Finance costs						(2,400,292)
(Loss)/gain on disposal of subsidiaries/de-registration of subsidiaries						(144,464)
Loss on disposal of associates						(19,764)
Share of results of:						
Joint ventures						(182,596)
Associates						(54,284)
Profit before tax						6,331,292

4. REVENUE AND BUSINESS ANALYSIS (continued)

Business analysis (continued)

	Oil and gas	Fertilisers	Real estate	Others	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2014						
REVENUE						
External sales	427,927,888	35,751,239	29,519,958	10,842,208	-	504,041,293
Inter-segment sales	357,432	-	28,196	5,034,374	(5,420,002)	-
Total	428,285,320	35,751,239	29,548,154	15,876,582	(5,420,002)	504,041,293
Segment profit/ (loss)	(1,138,882)	237,682	11,305,336	2,694,571	(2,388,711)	10,709,996
Interest income						894,461
Finance costs						(2,849,356)
Gain on disposal of subsidiaries						2,270
Gain on deemed disposal of subsidiaries						1,703
Share of results of:						
Joint ventures						(286,902)
Associates						203,779
Profit before tax						8,675,951

Segment profit or loss represents the results earned by or loss from each segment without allocation of interest income, (loss)/gain on disposal of subsidiaries/de-registration of subsidiaries, gain on disposal of subsidiaries, gain on deemed disposal of subsidiaries, loss on disposal of associates, share of results of joint ventures and associates, and finance costs.

4. REVENUE AND BUSINESS ANALYSIS (continued)

Year ended 31 December 2015	Oil and gas HK$'000	Fertilisers HK$'000	Real estate HK$'000	Others HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:					
Gains/(losses) on disposal of:					
Property, plant and equipment	-	(445)	(4,611)	-	(5,056)
Other assets	-	-	-	1,406	1,406
Write-off of non-demand payables	-	9,269	-	-	9,269
Impairment losses on:					
Property, plant and equipment	-	(35,104)	-	-	(35,104)
Interests in joint ventures	-	-	-	-	-
Impairment of trade and bills receivables	-	(7,135)	-	(95)	(7,230)
Impairment of other receivables	-	(16,809)	(32)	4	(16,837)
Reversal of impairment losses on:					
Trade and bills receivables	-	11,804	2,698	-	14,502
Fair value losses, net:					
Derivative financial instruments	-	31,890	-	-	31,890
Fair value changes of investment properties	-	-	1,238,306	15,830	1,254,136
Depreciation of oil and gas properties	3,253,704	-	-	-	3,253,704
Depreciation of property, plant and equipment	15,794	373,845	373,217	7,325	770,181
Amortisation of other non-current assets	-	7,047	-	-	7,047
Amortisation of intangible assets	60,123	40,198	11,293	-	111,614
Amortisation of prepaid land lease payments	-	16,426	65,645	243	82,314
Write-down of inventories	23,147	43,400	-	939	67,486

4. REVENUE AND BUSINESS ANALYSIS (continued)

Year ended 31 December 2014	Oil and gas HK$'000	Fertilisers HK$'000	Real estate HK$'000	Others HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:					
Gains/(losses) on disposal of:					
Property, plant and equipment	112	(6,044)	(2,754)	(4)	(8,690)
Available-for-sale investments	-	134,809	-	15,168	149,977
Other assets	-	-	-	308	308
Write-off of non-demand payables	-	14,830	-	-	14,830
Write-off of oil and gas properties	376,004	-	-	-	376,004
Impairment losses on:					
Property, plant and equipment	-	9,468	-	-	9,468
Interests in joint ventures	91,186	-	-	-	91,186
Impairment of trade and bills receivables	-	602	23,282	-	23,884
Impairment of other receivables	46,554	-	19	3	46,576
Reversal of impairment losses on:					
Other receivables	-	13,638	-	-	13,638
Fair value losses, net:					
Held-for-trading investments	-	-	-	(3,326)	(3,326)
Derivative financial instruments	-	(32,311)	-	-	(32,311)
Fair value changes of investment properties	-	-	2,286,463	(35,216)	2,251,247
Depreciation of oil and gas properties	3,449,165	-	-	-	3,449,165
Depreciation of property, plant and equipment	15,576	375,881	311,524	7,621	710,602
Amortisation of other non-current assets	-	8,250	-	-	8,250
Amortisation of intangible assets	66,418	41,199	8,926	135	116,678
Amortisation of prepaid land lease payments	-	15,306	56,490	244	72,040
Write-down of inventories	12,313	33,786	-	5,283	51,382

5. OTHER INCOME, GAINS AND LOSSES, NET

	2015 HK$'000	2014 HK$'000
Other income		
Interest on bank and other deposits	758,977	543,502
Interest on other advances	52,438	60,964
Interest on other financial assets	264,152	264,723
Interest on a finance lease contract	16,722	25,272
Dividend income from available-for-sale investments	3,787	3,841
Government grants (note i)	200,539	77,466
Compensation received	294,380	44,476
Sales of scrap materials	10,450	47,392
Sundry income, net	180,116	123,631
	1,781,561	1,191,267
Gains and losses		
(Losses)/gains on disposal of:		
Property, plant and equipment	(5,056)	(8,690)
Associates	(19,764)	-
Available-for-sale investments	-	149,977
Other assets	1,406	308
Subsidiaries	4,367	2,270
Gain on deemed disposal of subsidiaries (note 39)	-	1,703
Loss on de-registration of subsidiaries	(148,831)	-
Write-off of non-demand payables	9,269	14,830
Write-off of oil and gas properties	-	(376,004)
Impairment losses on:		
Oil and gas properties (note 17)	(186,942)	-
Property, plant and equipment (note 10)	(35,104)	(9,468)
Interests in joint ventures (note 18)	-	(91,186)
Impairment of trade and bills receivables	(7,230)	(23,884)
Impairment of other receivables	(16,837)	(46,576)
Reversal of impairment losses on:		
Trade and bills receivables	14,502	-
Other receivables	-	13,638
Foreign exchange differences, net	101,431	(158,295)
Fair value (losses)/gains, net:		
Held-for-trading investments	-	(3,326)
Derivative financial instruments	31,890	(32,311)
Transfers from properties held for sale to investment properties	347,453	-
Other expenses	(181,415)	(76,913)
	(90,861)	(643,927)
Other income, gains and losses, net	1,690,700	547,340

5. OTHER INCOME, GAINS AND LOSSES, NET (continued)

Note:

(i) Government grants mainly comprise payments from the government to support the development of the businesses of group entities in accordance with applicable regulations in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on bank loans, overdrafts and other loans	3,304,467	2,995,360
Interest on advances from fellow subsidiaries	24,308	67,612
Effective interest expenses on guaranteed senior notes	1,082,106	945,946
Effective interest expenses on guaranteed notes	-	4,477
Effective interest expenses on commercial papers	68,104	10,294
Discount interest for provision for dismantlement costs	140,620	127,082
Total borrowing costs	4,619,605	4,150,771
Less: Interest capitalised in properties under development and other qualifying assets	(2,219,313)	(1,350,090)
Interest expenses	2,400,292	2,800,681
Transaction costs on arranging commercial papers	-	48,675
	2,400,292	2,849,356

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2015 HK$'000	2014 HK$'000
Depreciation of oil and gas properties	17	3,253,704	3,449,165
Depreciation of property, plant and equipment	10	770,181	710,602
Amortisation of other non-current assets		7,047	8,250
Amortisation of intangible assets	16	111,614	116,678
Amortisation of prepaid land lease payments		82,314	72,040
Minimum lease payments under operating leases of land and buildings		48,258	62,713
Auditors' remuneration		18,762	17,401
Direct operating expenses arising from investment properties that generated rental income		155,267	143,934
Write-down of inventories		67,486	51,382
Staff costs:			
Directors' other emoluments		4,380	3,436
Other staff costs		2,095,495	2,224,815
Equity-settled share-based payment expense		9,940	17,502
Contributions to retirement benefit schemes		227,376	205,894
		2,337,191	2,451,647

8. INCOME TAX

	2015 HK$'000	2014 HK$'000
Hong Kong profits tax:		
Current tax	6,790	4,396
Overprovision in prior years	-	(72)
	6,790	4,324
PRC tax:		
Enterprise income tax ("EIT")	1,540,984	2,319,114
Land appreciation tax ("LAT") (note 34)	885,498	1,093,786
(Overprovision)/underprovision in prior years	(4,323)	6,890
	2,422,159	3,419,790
Other jurisdictions:		
Current tax	286,265	412,581
Overprovision in prior years	(3,127)	(2,229)
	283,138	410,352
Deferred taxation (note 35)	759,636	943,111
	3,471,723	4,777,577

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the PRC on EIT and the Implementation Regulation of the EIT Law, the tax rate for certain PRC subsidiaries is 25% (2014: 25%).

PRC corporate income tax has been provided at the rate of 25% (2014: 25%) on the taxable profits of the Group's PRC subsidiaries.

According to the requirements of the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

8. INCOME TAX (continued)

The profit before tax per the consolidated statement of comprehensive income can be reconciled to the income tax expense as follows:

	2015 HK$'000	2014 HK$'000
Profit before tax	6,331,292	8,675,951
Tax at the statutory income tax rate	1,582,823	2,168,988
LAT (note 34)	885,498	1,093,786
Tax effect of LAT	(221,375)	(273,447)
Effect of lower or higher tax rates enacted by local authorities of other jurisdictions	(411,812)	(163,407)
(Overprovision)/underprovision in prior years	(7,450)	4,589
Income not subject to tax	(388,257)	(292,286)
Expenses not deductible for tax	650,567	658,623
Tax effect of share of profits or losses of associates	(1,085)	(35,506)
Tax effect of share of profits or losses of joint ventures	68,064	79,583
Utilisation of tax losses previously not recognised	(32,875)	(13,071)
Tax effect of tax losses and deductible temporary differences not recognised	296,061	1,040,332
Translation adjustment (note i)	773,822	360,376
Write-down of deferred tax assets recognised in previous years	186,289	127,367
Others	91,453	21,650
Income tax expense	3,471,723	4,777,577

Note:

(i) Taxable translation adjustment mainly represents the tax effect of differences arising from foreign exchange effects to Brazilian Real ("BRL"), which is the basis for taxation for a subsidiary of the Group in Brazil. The translation adjustment mainly relates to the difference between the assets and liabilities determined on the tax basis in BRL and that determined on the accounting basis in United States dollars ("US$"), the functional currency of the subsidiary.

9. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends distributed during the year	959,783	1,474,452

According to the board of directors' meeting on 25 August 2015, dividends amounting to RMB791,735,000 (equivalent to HK$959,783,000) were paid to the immediate parent on 28 August 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	Land and buildings	Leasehold improve-ments	Furniture and fixtures	Office and machinery equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014 and at 1 January 2015:								
Cost	9,485,378	3,302,285	37,530	2,448,951	2,903,852	215,610	3,758,378	22,151,984
Accumulated depreciation and impairment	(1,144,788)	(754,733)	(33,080)	(1,180,271)	(1,468,667)	(124,153)	-	(4,705,692)
Net carrying amount	8,340,590	2,547,552	4,450	1,268,680	1,435,185	91,457	3,758,378	17,446,292
At 1 January 2015, net of accumulated depreciation and impairment	8,340,590	2,547,552	4,450	1,268,680	1,435,185	91,457	3,758,378	17,446,292
Additions	8,458	20,776	-	42,668	27,091	17,053	1,619,790	1,735,836
Transfers	689,979	31,217	-	19,142	26,941	-	(767,279)	-
Transfer from investment properties (note 13)	-	55,811	-	-	-	-	-	55,811
Transfer to investment properties (note 13)	-	(376,145)	-	-	-	-	(423,190)	(799,335)
Transfer from properties under development (note 12)	-	-	-	-	-	-	2,541,734	2,541,734
Disposal	(2,216)	(27,248)	-	(2,406)	(12,871)	(2,992)	-	(47,733)
Disposal of a subsidiary (note 39)	-	-	-	-	(85)	-	-	(85)
Depreciation provided during the year	(202,430)	(132,883)	(1,450)	(161,006)	(248,238)	(24,174)	-	(770,181)
Gains on property revaluation in relation to the transfers to investment properties	-	281,297	-	-	-	-	-	281,297
Impairment loss recognised in profit or loss	-	(18,265)	-	-	(16,839)	-	-	(35,104)
Exchange realignment	(506,990)	(133,521)	(16)	(68,674)	(71,744)	(4,783)	(221,285)	(1,007,013)
At 31 December 2015, net of accumulated depreciation and impairment	8,327,391	2,248,591	2,984	1,098,404	1,139,440	76,561	6,508,148	19,401,519
At 31 December 2015:								
Cost	9,599,425	3,101,152	36,028	2,350,585	2,779,450	207,885	6,508,148	24,582,673
Accumulated depreciation and impairment	(1,272,034)	(852,561)	(33,044)	(1,252,181)	(1,640,010)	(131,324)	-	(5,181,154)
Net carrying amount	8,327,391	2,248,591	2,984	1,098,404	1,139,440	76,561	6,508,148	19,401,519

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Hotel properties HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office and machinery equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2013 and at 1 January 2014:								
Cost	6,913,993	3,090,261	39,781	2,077,099	2,879,997	220,052	4,286,068	19,507,251
Accumulated depreciation and impairment	(992,527)	(643,238)	(24,944)	(1,078,758)	(1,275,583)	(118,069)	(1,859)	(4,134,978)
Net carrying amount	5,921,466	2,447,023	14,837	998,341	1,604,414	101,983	4,284,209	15,372,273
At 1 January 2014, net of accumulated depreciation and impairment	5,921,466	2,447,023	14,837	998,341	1,604,414	101,983	4,284,209	15,372,273
Additions	62,671	21,737	8	342,422	39,861	22,243	2,018,816	2,507,758
Transfers	2,525,845	116,532	(2,156)	72,615	53,896	-	(2,766,732)	-
Transfer from investment properties (note 13)	-	130,456	-	-	-	-	-	130,456
Transfer to investment properties (note 13)	-	(37,764)	-	-	-	-	-	(37,764)
Transfer from properties under development (note 12)	-	-	-	-	-	-	286,241	286,241
Transfer to properties under development (note 12)	-	-	-	-	-	-	(44,752)	(44,752)
Deemed disposal of subsidiaries (note 39)	-	-	-	(399)	-	-	-	(399)
Disposal	(3,485)	(14,374)	-	(2,888)	(174)	(6,937)	-	(27,858)
Depreciation provided during the year	(155,124)	(135,737)	(8,170)	(138,898)	(247,218)	(25,455)	-	(710,602)
Gains on property revaluation in relation to the transfers to investment properties	-	25,361	-	-	-	-	-	25,361
Impairment loss recognised in profit or loss	-	(42)	-	(56)	(9,370)	-	-	(9,468)
Exchange realignment	(10,783)	(5,640)	(69)	(2,457)	(6,224)	(377)	(19,404)	(44,954)
At 31 December 2014, net of accumulated depreciation and impairment	8,340,590	2,547,552	4,450	1,268,680	1,435,185	91,457	3,758,378	17,446,292
At 31 December 2014:								
Cost	9,485,378	3,302,285	37,530	2,448,951	2,903,852	215,610	3,758,378	22,151,984
Accumulated depreciation and impairment	(1,144,788)	(754,733)	(33,080)	(1,180,271)	(1,468,667)	(124,153)	-	(4,705,692)
Net carrying amount	8,340,590	2,547,552	4,450	1,268,680	1,435,185	91,457	3,758,378	17,446,292

In the opinion of the directors, certain leasehold interests in land continue to be accounted for as property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

The Group's land and buildings are located outside Hong Kong and are held under medium term leases and long term leases.

At the end of the reporting period, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately HK$3,193,147,000 (2014: HK$1,065,596,000) were pledged to secure bank loans granted to the Group (note 33).

11. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to Jinmao's land development projects in Changsha Meixi Lake, Nanjing Shangfang and Sanya Yazhouwan (the "Projects") which are situated in Mainland China. Though Jinmao does not have the ownership title or land use rights to such land, Jinmao is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, Jinmao is entitled to receive from the local authorities the land development fee.

	2015 HK$'000	2014 HK$'000
Carrying amount:		
At 1 January	12,960,110	9,711,609
Additions	7,085,592	5,232,443
Recognised in profit or loss during the year	(718,105)	(1,969,073)
Exchange realignment	(945,298)	(14,869)
At 31 December	18,382,299	12,960,110
Current portion	(5,567,890)	(3,400,450)
Non-current portion	12,814,409	9,559,660

12. PROPERTIES UNDER DEVELOPMENT

	2015 HK$'000	2014 HK$'000
Carrying amount:		
At 1 January	46,056,883	43,999,424
Additions	17,508,529	26,316,899
Deemed disposal of subsidiaries (note 39)	-	(7,804,009)
Transfer to property, plant and equipment (note 10)	(2,541,734)	(286,241)
Transfer from property, plant and equipment (note 10)	-	44,752
Transfer (to)/from prepaid land lease payments	(1,076,945)	16,383
Transfer to properties held for sale	(11,433,411)	(16,086,714)
Exchange realignment	(2,908,104)	(143,611)
At 31 December	45,605,218	46,056,883
Current portion	(23,181,183)	(18,319,131)
Non-current portion	22,424,035	27,737,752

At 31 December 2015, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$17,671,748,000 (2014: HK$23,959,378,000) were pledged to secure bank loans granted to the Group (note 33).

13. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Fair value:		
At 1 January	24,465,844	22,125,586
Additions	29,690	24,037
Fair value changes recognised in profit or loss	1,254,136	2,251,247
Transfer from owner-occupied properties (note 10)	799,335	37,764
Transfer to owner-occupied properties (note 10)	(55,811)	(130,456)
Transfer from properties held for sale	598,684	218,813
Exchange realignment	(1,516,523)	(61,147)
At 31 December	25,575,355	24,465,844

The Group's investment properties mainly belong to Jinmao.

Jinmao's investment properties consist of eight commercial properties in Mainland China. The directors of Jinmao have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Jinmao's investment properties were revalued individually on 31 December 2015 based on valuations performed by DTZ Debenham Tie Leung Limited, Shanghai Cairui Real Estate Land Appraisal Co., Ltd. and Beijing Renda Real Estate Appraisal Co., Ltd., independent professionally qualified valuers, at HK$25,165,011,000 (2014: HK$24,356,129,000). Each year, Jinmao's management decides to appoint which external valuers to be responsible for the external valuations of Jinmao's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Jinmao's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

These investment properties are leased under operating leases, further summary details of which are included in note 42(a) to the consolidated financial statements.

At 31 December 2015, certain of the Group's investment properties with a carrying value of HK$14,194,038,000 (2014: HK$12,280,547,000) were pledged to secure bank loans granted to the Group (note 33).

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:			
Commercial properties	171,516	25,403,839	25,575,355

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties
	HK$'000
Carrying amount at 1 January 2015	24,299,594
Additions	29,690
Net gain from a fair value adjustment	1,258,691
Transfer from properties held for sale	598,684
Transfer from owner-occupied properties	723,044
Exchange realignment	(1,505,864)
Carrying amount at 31 December 2015	25,403,839

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average**	
			2015	2014
Property 1(a)-Beijing Chemsunny World Trade Centre-Office	Term and reversion method	Term yield	6.00%	6.50%
		Reversionary yield	6.50%	7.00%
		Market rent (per square metre (“sqm”) per annum (“p.a.”))	HK$6,107	HK$5,925
Property 1(b)-Beijing Chemsunny World Trade Centre-Retail	Term and reversion method	Term yield	6.00%	6.50%
		Reversionary yield	6.50%	7.00%
		Market rent (per sqm p.a.)	HK$10,884	HK$10,380
Property 2(a)-Sinochem Tower-Office	Term and reversion method	Term yield	6.00%	6.50%
		Reversionary yield	6.50%	7.00%
		Market rent (per sqm p.a.)	HK$3,553	HK$3,394
Property 2(b)-Sinochem Tower-Retail	Term and reversion method	Term yield	6.00%	6.50%
		Reversionary yield	6.50%	7.00%
		Market rent (per sqm p.a.)	HK$3,464	HK$3,182
Property 2(c)-Sinochem Tower-Warehouse*	Term and reversion method	Term yield	-	6.50%
		Reversionary yield	-	7.00%
		Market rent (per sqm p.a.)	-	HK$1,591
Property 3(a)-Jinmao Tower-Office	Term and reversion method and market comparable method	Term yield	4.50%	4.50%
		Reversionary yield	5.00%	5.00%
		Market rent (per sqm p.a.)	HK$4,643	HK$4,713
		Price per sqm	N/A	HK$71,923
Property 3(b)-Jinmao Tower-Retail	Term and reversion method and market comparable method	Term yield	4.50%	4.50%
		Reversionary yield	5.00%	5.00%
		Market rent (per sqm p.a.)	HK$11,944	HK$8,031
		Price per sqm	N/A	HK$122,713
Property 3(c)-Jinmao Tower-Car parks	Term and reversion method	Term yield	3.50%	3.50%
		Reversionary yield	4.00%	4.00%
		Market rent (per unit per p.a.)	HK$14,557	HK$14,775

continued/…

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2015	2014
Property 4(a)-Zhuhai Every Garden-Club house	Term and reversion method	Term yield	6.25%	6.25%
		Reversionary yield	6.50%	6.50%
		Market rent (per sqm p.a.)	HK$642	HK$621
Property 4(b)-Zhuhai Huayuan Building -2nd Floor	Term and reversion method	Term yield	5.50%	5.75%
		Reversionary yield	6.00%	6.25%
		Market rent (per sqm p.a.)	HK$851	HK$864
Property 5(a)-Nanjing Xuanwu Lake Jin Mao Plaza-Retail	Term and reversion method	Term yield	5.50%	N/A
		Reversionary yield	6.00%	N/A
		Market rent (per sqm p.a.)	HK$10,332	N/A
Property 5(a)-Nanjing Xuanwu Lake Jin Mao Plaza-Retail	Discounted cash flow method	Estimated rental value (per sqm p.a.)	N/A	HK$501 - HK$9,679 (HK$2,319)
		Rental growth p.a.	N/A	0.00%-13.00%(5.00%)
		Long term vacancy rate	N/A	5.00%
		Discount rate	N/A	5.00%-7.00%(7.00%)
Property 5(b)-Nanjing Xuanwu Lake Jin Mao Plaza-Office	Term and reversion method	Term yield	5.00%	N/A
		Reversionary yield	5.50%	N/A
		Market rent (per sqm p.a.)	HK$2,464	N/A
Property 5(b)-Nanjing Xuanwu Lake Jin Mao Plaza-Office	Discounted cash flow method	Estimated rental value (per sqm p.a.)	N/A	HK$1,798 - HK$2,351 (HK$2,031)
		Rental growth p.a.	N/A	0.00%-5.00% (2.50%)
		Long term vacancy rate	N/A	5.00%
		Discount rate	N/A	5.50%-7.00% (7.00%)
Property 5(c)-Nanjing Xuanwu Lake Jin Mao Plaza-Car parks	Term and reversion method	Term yield	5.50%	N/A
		Reversionary yield	6.00%	N/A
		Market rent (per sqm p.a.)	HK$8,958	N/A
Property 5(c)-Nanjing Xuanwu Lake Jin Mao Plaza-Car parks	Discounted cash flow method	Estimated rental value (per unit p.a.)	N/A	HK$9,092 - HK$12,123 (HK$10,191)
		Rental growth p.a.	N/A	5.90%-7.70% (6.60%)
		Long term vacancy rate	N/A	8.00%-15.00% (12.46%)
		Discount rate	N/A	1.50%

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2015	2014
Property 6-Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	HK$1,181	HK$876
		Rental growth p.a.	0.00%-3.00% (3.00%)	0.00%-3.00% (3.00%)
		Long term vacancy rate	4.11%	4.20%
		Discount rate	6.00%	5.00%-6.50% (6.00%)
Property 7-Lijiang J-LIFE	Term and reversion method	Term yield	6.00%	6.00%
		Reversionary yield	6.50%	6.50%
		Market rent (per sqm p.a.)	HK$2,464	HK$1,349
Property 8-Shanghai International Shipping Centre-Commercial	Market comparable method	Price per sqm	HK$80,873	N/A
Property 9-Hong Kong Convention Plaza Office Building 47/F	Income Capitalisation Approach – Term and Reversion Method	Estimated rental value (per sq. ft / per month)	HK$81 to HK$94	HK$74 to HK$85
		Capitalisation rate	3%	2.9%

* This year, the warehouse of Sinochem Tower was included in the valuation of the retail section of Sinochem Tower.

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase/(decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. A significant increase/(decrease) in the market rent would result in a significant increase/(decrease) in the fair value of the investment properties. An increase in the capitalisation rate used would result in a decrease in the fair value of the investment properties, and vice versa.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long-term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square metre of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis."

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by Jinmao is the price per square metre. The market comparable approach is often used in combination with either discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase/(decrease) in the price per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

14. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Leasehold land in Hong Kong under long term leases	94,918	95,162
Leasehold land in the PRC:		
Long term leases	1,905,286	884,468
Medium term leases	1,617,839	1,774,962
	3,523,125	2,659,430
	3,618,043	2,754,592
Current portion	(75,594)	(78,931)
Non-current portion	3,542,449	2,675,661

At 31 December 2015, certain of the Group's prepaid land lease payments with a net carrying amount of approximately HK$1,132,633,000 (2014: HK$231,487,000) were pledged to secure certain of the Group's bank loans (note 33).

15. GOODWILL

	2015 HK$'000	2014 HK$'000
At 1 January:		
Cost	4,094,684	4,096,952
Accumulated impairment	-	-
Net carrying amount	4,094,684	4,096,952
Cost at 1 January, net of accumulated impairment	4,094,684	4,096,952
Exchange realignment	(39,304)	(2,268)
Net carrying amount at 31 December	4,055,380	4,094,684
At 31 December:		
Cost	4,055,380	4,094,684
Accumulated impairment	-	-
Net carrying amount	4,055,380	4,094,684

For the purposes of impairment testing, goodwill has been allocated to two groups of cash-generating units relating to the fertilisers division and real estate division. The carrying amounts of goodwill as at 31 December 2015 and 2014 allocated to these divisions are as follows:

	2015 HK$'000	2014 HK$'000
Fertilisers division	2,055,810	2,095,113
Real estate division	1,999,570	1,999,571
	4,055,380	4,094,684

15. GOODWILL (continued)

Impairment testing of goodwill

The recoverable amounts of these groups of cash-generating units have been determined by value in use calculations. Assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct cost during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific relating to the groups of cash-generating units. The growth rates are based on the Gross Domestic Product ("GDP") growth of the PRC economy. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

Fertilisers division

At the end of the reporting period, the recoverable amount of Sinofert was determined based on a value in use calculation using cash flow projections based on financial budgets covering a certain period approved by directors of the Group. The cash flow projection was divided for Sinofert and Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of Sinofert.

For Sinochem Yunlong, the pre-tax discount rate was 13%. Cash flows were extrapolated using an average growth rate of 16.94% for the first three years and a steady growth rate of 3% for the following years. The value in use calculated by using the discount rate is higher than the carrying amount, and therefore, there is no impairment of Sinochem Yunlong.

Sinofert was divided into the marketing division and the production division. The discount rates were 9% for the marketing division and 11% for the production division. Cash flows of the marketing division were extrapolated using an average growth rate of 9.33% for the first three years and a steady growth rate of 3% for the following years. Cash flows of the production division were extrapolated using an average growth rate of 26.58% for the first three years and a steady growth rate of 3% for the following years. The value in use calculated by using the discount rate is higher than the carrying amount of this group of cash-generating unit, and therefore, there is no impairment of Sinofert.

Real estate division

At the end of the reporting period, the recoverable amount of the real estate division was determined based on a value in use calculation using cash flow projections based on financial budgets covering a certain period approved by directors. The discount rate applied to the cash flow projection was 10%. Cash flows were extrapolated using a growth rate of 22.5% for the first two years and a steady growth rate of 3% for the following years. The value in use calculated by using the discount rate is higher than the carrying amount of this group of cash-generation unit, and therefore, there is no impairment of the real estate division.

16. INTANGIBLE ASSETS

	Pipeline usage rights HK$'000	Computer software HK$'000	Mining rights HK$'000	Others HK$'000	Total HK$'000
At 31 December 2014 and at 1 January 2015:					
Cost	2,077,970	93,623	973,694	8,120	3,153,407
Accumulated amortisation	(119,418)	(56,709)	(116,816)	(2,093)	(295,036)
Net carrying amount	1,958,552	36,914	856,878	6,027	2,858,371
At 1 January 2015, net of accumulated amortisation	1,958,552	36,914	856,878	6,027	2,858,371
Additions	-	12,830	-	-	12,830
Amortisation provided during the year	(60,124)	(10,790)	(40,198)	(502)	(111,614)
Disposal of subsidiaries	-	-	-	(843)	(843)
Exchange realignment	(1,357)	(2,237)	(48,392)	(152)	(52,138)
At 31 December 2015, net of accumulated amortisation	1,897,071	36,717	768,288	4,530	2,706,606
At 31 December 2015:					
Cost	2,076,524	100,466	916,852	6,845	3,100,687
Accumulated amortisation	(179,453)	(63,749)	(148,564)	(2,315)	(394,081)
Net carrying amount	1,897,071	36,717	768,288	4,530	2,706,606

	Pipeline usage rights HK$'000	Computer software HK$'000	Mining rights HK$'000	Others HK$'000	Total HK$'000
At 31 December 2013 and at 1 January 2014:					
Cost	2,077,273	70,760	975,166	10,578	3,133,777
Accumulated amortisation	(52,975)	(48,419)	(75,717)	(2,174)	(179,285)
Net carrying amount	2,024,298	22,341	899,449	8,404	2,954,492
At 1 January 2014, net of accumulated amortisation	2,024,298	22,341	899,449	8,404	2,954,492
Additions	-	23,789	1,818	22	25,629
Amortisation provided during the year	(66,418)	(8,685)	(41,199)	(376)	(116,678)
Disposals	-	(254)	-	(1,997)	(2,251)
Deemed disposal of subsidiaries	-	(257)	-	-	(257)
Exchange realignment	672	(20)	(3,190)	(26)	(2,564)
At 31 December 2014, net of accumulated amortisation	1,958,552	36,914	856,878	6,027	2,858,371
At 31 December 2014:					
Cost	2,077,970	93,623	973,694	8,120	3,153,407
Accumulated amortisation	(119,418)	(56,709)	(116,816)	(2,093)	(295,036)
Net carrying amount	1,958,552	36,914	856,878	6,027	2,858,371

17. OIL AND GAS PROPERTIES

	HK$'000
Cost:	
At 1 January 2014	61,762,727
Additions	2,857,977
Disposal and write-off	(709,491)
Exchange realignment	20,409
At 31 December 2014 and at 1 January 2015	63,931,622
Additions	658,056
Disposal and write-off	(3,111,478)
Exchange realignment	(43,089)
At 31 December 2015	61,435,111
Accumulated depreciation and impairment:	
At 1 January 2014	13,781,278
Depreciation provided during the year	3,449,165
Impairment loss recognised in profit or loss	-
Disposal and write-off	(333,487)
Exchange realignment	4,560
At 31 December 2014 and at 1 January 2015	16,901,516
Depreciation provided during the year	3,253,704
Disposal and write-off	-
Impairment loss recognised in profit or loss (note 5)	186,942
Exchange realignment	(11,244)
At 31 December 2015	20,330,918
Carrying amount:	
At 31 December 2015	41,104,193
At 31 December 2014	47,030,106

Disposal of oil and gas properties in Syria

Emerald Energy Plc. ("EEP"), a wholly-owned subsidiary of the Company, owns a 50% working interest and is a contractor in Block 26 in North East Syria.

On 2 December 2011, the European Union's ("EU") Official Journal carried the announcement of a decision of the EU Council made on 1 December 2011 in relation to additional sanctions against Syria. Among the new measures included in that decision are the prohibition on the supply of key equipment and technology to the oil and gas industry in Syria and the addition of General Petroleum Corporation ("GPC") of Syria to the list of proscribed organisations. GPC is the Syrian government's representative and effectively the Group's partner in the production of oil from Block 26.

17. OIL AND GAS PROPERTIES (continued)

Disposal of oil and gas properties in Syria (continued)

Gulfsands Petroleum Ltd. ("Gulfsands"), the operator of Block 26, declared force majeure in respect of Block 26 production operations on 11 December 2011, in response to the decision the EU Council made on 1 December 2011 against Syria. EEP has agreed to the issuing of this declaration of force majeure.

On 24 December 2015, EEP entered into an assignment agreement with Sinochem Yemen Holding ("SYH"), a subsidiary of Sinochem Group. Pursuant to the agreement, SYH shall purchase all assets and liabilities related to EEP's share of working interest in Block 26, including oil and gas properties, loans from the Group and other short-term balances. As of 30 June 2015, the effective date of this agreement, the net book value of the assets and liabilities related to EEP's share of working interest in Block 26 was nil. The Group has not recognised any gain or loss relating to the transaction. As the transaction was completed, oil and gas properties amounted to USD392,874,883 (equivalent to HK$3,045,763,000) in Syria were disposed of.

Impairment of oil and gas properties

EEP owns a 72% working interest of Fortuna Block in Columbia amounted to approximately HK$187 million, due to the poor production and low crude oil price in 2015, management made full impairment for the oil and gas properties of Fortuna Block.

18. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Unlisted investments		
Share of net assets	1,855,420	1,912,674
Provision for impairment	-	(91,186)
	1,855,420	1,821,488

The amounts due from/to joint ventures are disclosed in note 21 to the consolidated financial statements.

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures which are indirectly held by the Group are as follows:

Name of entity	Place of registration and business	Issued capital/ registered capital	Effective interest in issued capital/ registered capital/ profit sharing ratio held by the Group 2015	2014	Principal activities
Tianjin Beifang Chemical Fertilizer Logistics and Delivery Company Limited 天津北方化肥物流配送有限公司 (note i)	PRC	RMB3,000,000	31.59%	31.59%	Fertiliser logistics
Yunnan Three Circles-Sinochem -Mosaic Fertilizer Company Limited 云南三环中化美盛化肥有限公司 (note i)	PRC	US$29,800,000	13.16%	13.16%	Sale and manufacture of fertilisers
Yunnan Three Circles-Sinochem Fertilizer Company Limited 云南三环中化化肥有限公司 (note i)	PRC	RMB800,000,000	21.06%	21.06%	Sale and manufacture of fertilisers
Gansu Wengfu Chemical Co., Ltd. 甘肃瓮福化工有限责任公司 (note i)	PRC	RMB181,000,000	15.80%	15.80%	Sale and manufacture of fertilisers
Hainan Zhongsheng Agricultural Technology Co., Ltd 海南中盛农业科技有限公司 (note i)	PRC	RMB51,000,000	26.85%	26.85%	Sale of pesticides
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited 上海金茂锦江汽车服务有限公司 (note ii)	PRC	RMB22,000,000	26.99%	31.76%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited 上海金茂汽车租赁有限公司 (note ii)	PRC	RMB2,000,000	24.29%	28.58%	Lease of commercial vehicles
Shanghai Tuoying Co., Ltd. 上海拓赢实业有限公司 (note ii)	PRC	RMB16,000,000	26.99%	31.76%	Property development
Beijing Jinmao Xingyi Development Co., Ltd. 北京方兴兴亦置业有限公司 (note ii)	PRC	RMB100,000,000	26.99%	31.76%	Property development
Guangzhou Rongfang Development Co., Ltd. 广州融方置业有限公司 (note ii)	PRC	RMB10,000,000	26.99%	31.76%	Property development

continued/…

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures which are indirectly held by the Group are as follows:

Name of entity	Place of registration and business	Issued capital/ registered capital	Effective interest in issued capital/ registered capital/ profit sharing ratio held by the Group 2015	2014	Principal activities
Guangzhou Yuemao Marketing Consultant Management Co., Ltd. 广州悦茂营销咨询管理有限公司 (note ii)	PRC	RMB1,000,000	26.99%	-	Consulting services
Jiaxing Jinfang Equity Investment Co., Ltd. 嘉兴金坊股权投资管理有限公司 (note ii)	PRC	RMB1,000,000	26.99%	-	Equity investment and asset management
Jiaxing Jinfang Shanggao Equity Investment Partnership (Limited Partnership) 嘉兴金坊尚高股权投资合伙企业（有限合伙） (note ii)	PRC	RMB546,000,000	26.99%	-	Equity investment
Nanjing Jiamao Properties Development Co., Ltd. 南京嘉茂房地产有限公司 (note ii)	PRC	RMB300,000,000	21.59%	-	Property development
Beijing Liuzhuang Properties Development Co., Ltd. 北京鎏庄房地产开发有限公司 (note ii)	PRC	RMB50,000,000	26.45%	-	Property development
Beijing Jinfeng Properties Development Co., Ltd. 北京金丰置业有限公司(note ii)	PRC	RMB50,000,000	26.45%	-	Property development
Beijing Maofeng Properties Development Co., Ltd. 北京茂丰置业有限公司 (note ii)	PRC	RMB50,000,000	27.53%	-	Property development
Comeco Petroleum Inc. (“Comeco”) (note iii)	United States	US$1	-	58.75%	Sale of crude oil

18. INVESTMENTS IN JOINT VENTURES (continued)

Notes:

(i) The entities are joint ventures of Sinofert, a non-wholly-owned subsidiary of the Group. In accordance with the agreements between the investors of the entities, the investors exercise joint control over the entities.

(ii) The entities are joint ventures of Jinmao, a non-wholly-owned subsidiary of the Group. In accordance with the agreements between the investors of the entity, the investors exercise joint control over the entities.

(iii) Comeco owned 28.57% working interests in Yemen 10 Block and was acting as a non-operator in the Block. On 23 December 2015, Sinochem Petroleum Limited ("SPL"), a wholly-owned subsidiary of the Company, signed an equity transfer agreement with Greatpart Limited ("Greatpart"), a fellow subsidiary of the Group on the sale and purchase of equity interest of SYH. According to the agreement, Greatpart purchased 100% of equity interest of SYH, which held 58.75% of equity interest of Comeco, at a consideration equal to the book value of net assets of SYH as of 30 June 2015 (effective date of the agreement). Therefore, Comeco was no longer a joint venture of the Group as of 31 December 2015. Details related to the transaction are disclosed in note 39 to the consolidated financial statements.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015	2014
	HK$'000	HK$'000
Share of the joint ventures' profit or loss for the year[1]	(182,596)	(71,408)
Share of the joint ventures' total comprehensive income or loss	(182,596)	(71,408)
Aggregate carrying amount of the Group's investments in the joint ventures	1,855,420	803,639

[1] In 2014, Comeco was deemed to be a material joint venture of the Group. The Group's share of Comeco's profit or loss was HK$215,494,000 and the carrying amount of the Group's investment in Comeco as of 31 December 2014 was HK$1,017,849,000.

19. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Listed investments, at cost	5,832,008	1,147,308
Unlisted investments, at cost	3,596,346	3,640,100
Goodwill	6,113,641	6,572,296
Share of post-acquisition profits and other comprehensive income, net of dividend received	1,277,324	2,341,434
	16,819,319	13,701,138
Fair value of listed investments	11,679,882	3,913,145

The fair value of the listed investments has been determined by multiplying the closing share price on 31 December 2015 by the total number of shares held by Sinofert. As the fair value is lower than the carrying amount as at 31 December 2015, an impairment review had been performed by Sinofert. The directors of Sinofert are of the opinion that no impairment allowance is necessary in respect of the listed investments as at 31 December 2015.

Particulars of the principal associates as at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ registration and business	Class of shares held	Effective interest in registered capital/ profit sharing ratio held by the Group 2015	2014	Principal activities
Dongguan Sinochem Huamei Plastics Co., Ltd. 东莞中化华美塑料有限公司	PRC	Ordinary shares	35.00%	35.00%	Production and sale of chemical fibre
Nantong Jiamin Terminal & Storage Co., Ltd. 南通嘉民港储有限公司	PRC	Ordinary shares	33.33%	33.33%	Storage of crude oil and related products
West Pacific Petrochemical Co., Ltd. 大连西太平洋石油化工有限公司	PRC	Ordinary shares	25.20%	25.20%	Production and sale of crude oil and related products
Sinochem Sinopec Shanghai Orient Petrochemical Terminal Co., Ltd. 中化中石化上海东方石化储运有限公司	PRC	Ordinary shares	25.00%	25.00%	Godown business
Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") 青海盐湖工业股份有限公司 (note i)	PRC	Ordinary shares	20.52%	8.94%	Production and sale of fertilisers
Guizhou Xinxin Chemical Group Co., Ltd. ("Xinxin Group") 贵州鑫新化工集团有限公司	PRC	Ordinary shares	30.00%	30.00%	Production and sale of phosphate rock

continued/…

19. INVESTMENTS IN ASSOCIATES (continued)

Name of entity	Place of incorporation/ registration and business	Class of shares held	Effective interest in registered capital/ profit sharing ratio held by the Group 2015	2014	Principal activities
Guizhou Xinxin Coal Chemical Co., Ltd. ("Xinchen Chemical") 贵州鑫新煤化工有限责任公司	PRC	Ordinary shares	30.00%	30.00%	Production and sale of coal
北京中孚石油有限公司	PRC	Ordinary shares	60.00%	60.00%	Vehicle oil supply and maintenance
太仓中化环保有限公司	PRC	Ordinary shares	35.00%	35.00%	Production and sale of chemical products
舟山中威石油储运有限公司	PRC	Ordinary shares	50.00%	50.00%	Godown business
中化珠海石化储运有限公司	PRC	Ordinary shares	25.00%	25.00%	Godown business
Shanghai Tuoping Development Co., Ltd. ("Shanghai Tuoping") 上海拓平置业有限公司	PRC	Ordinary shares	21.04%	20.66%	Property development
Jinmao Development (Shanghai) Co., Ltd. 方兴置业（上海）有限公司	PRC	Ordinary shares	36.83%	36.52%	Property development
中化扬州石化码头仓储有限公司 ,	PRC	Ordinary shares	25.00%	25.00%	Godown business
中化天津港石化仓储有限公司	PRC	Ordinary shares	25.00%	25.00%	Godown business
中化兴中石油转运（舟山）有限公司	PRC	Ordinary shares	25.00%	25.00%	Godown business
Qinghai Ganghua Logistics Company Limited 青岛港华物流有限公司	PRC	Ordinary shares	25.00%	25.00%	Logistics services

continued/…

19. INVESTMENTS IN ASSOCIATES (continued)

Name of entity	Place of incorporation/ registration and business	Class of shares held	Effective interest in registered capital/ profit sharing ratio held by the Group 2015	2014	Principal activities
天津港中化石化码头有限公司	PRC	Ordinary shares	25.00%	25.00%	Godown business
Yangmei Pingyuan Chemical Co., Ltd. (“Yangmei Pingyuan”) 阳煤平原化工有限公司	PRC	Ordinary shares	36.75%	36.75%	Production and sale of fertilisers

Note:

(i) On 27 April 2015, Sinochem Fertilizer Co., Ltd. (“Sinochem Fertilizer”, a subsidiary of Sinofert) entered into a share transfer agreement with Sinochem Corporation, pursuant to which Sinochem Fertilizer acquired 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of approximately RMB3,903,420,000 (equivalent to HK$4,856,245,000) (the “Acquisition”). The Acquisition was completed on 9 September 2015. Upon completion of the Acquisition, Sinochem Fertilizer held 381,052,323 shares in Qinghai Salt Lake, representing 23.95% of its total issued share capital, thus becoming its second largest shareholder as at 9 September 2015.

Pursuant to the approval of China Securities Regulatory Commission on 16 November 2015, Qinghai Salt Lake issued 266,884,531 new shares to certain minority shareholders (the “Offering”), which was completed on 28 December 2015. Since Sinochem Fertilizer did not participate in the Offering, the transaction resulted in the dilution of Sinofert’s interest in Qinghai Salt Lake from 23.95% to 20.52% on 28 December 2015. Upon the completion of the Offering, Sinofert’s share of the net assets of Qinghai Salt Lake decreased by approximately RMB694,951,000 (equivalent to HK$864,589,000). Pursuant to the accounting policies described in note 2.4, the Group recorded and recognised the decrease in its share of the net assets of Qinghai Salt Lake in capital reserve.

19. INVESTMENTS IN ASSOCIATES (continued)

Consistent with the accounting policies described in note 2.4, the directors first re-assessed the recoverable amount of the interest in Qinghai Salt Lake. The recoverable amount was estimated with reference to the investment's value-in-use, which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by Qinghai Salt Lake, including the cash flows from the operations and the proceeds from the ultimate disposal of the interest. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. Changes in revenue and direct costs are based on historical experience and expectations of future changes in the market. The directors of Sinofert estimated discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to Qinghai Salt Lake. The key assumptions used in the value-in-use calculation for Qinghai Salt Lake include the point in time of the chemical production lines are ready for use, the expected utilisation rate of the chemical production lines and the estimated discount rates which ranged from 10.2% to 13.9%.

Since the value-in-use of Qinghai Salt Lake is higher than its carrying amount, the directors of Sinofert are of the opinion that no impairment was necessary in respect of the interest in Qinghai Salt Lake as at 31 December 2015.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of Qinghai Salt Lake, a material associate of the Group, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Gross amount of the associate		
Current assets	20,074,537	13,695,325
Non-current assets	84,745,901	77,449,238
Current liabilities	(24,029,279)	(18,166,007)
Non-current liabilities	(44,340,342)	(41,571,174)
Equity :	36,450,816	31,407,382
Attributable to shareholders of the associate	34,575,026	29,365,792
Attributable to non-controlling interests	1,875,790	2,041,590
Revenue	13,538,572	13,191,514
Profit attributable to shareholders of the associate	161,658	1,343,329
Other comprehensive income	-	-
Dividend received from the associate	15,220	12,036
Reconciliation to the Group's interest in the associate		
Gross amount of the net assets of the associate	34,575,026	29,254,593
Group's effective interest	20.52%	8.94%
Group's share of the net assets of the associate	7,094,795	2,615,361
Goodwill	6,113,641	6,572,296
Exchange realignment	-	777,771
Carrying amount in the consolidated financial statements	13,208,436	9,965,428

Aggregate information of associates that are not individually material:

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associates' profit or loss for the year	(87,456)	83,685
Share of the associates' total comprehensive income or loss	(87,456)	83,685
Aggregate carrying amount of the Group's investments in the associates	3,610,883	3,735,710

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at fair value	1,077,328	4,256,663
Unlisted equity investments:		
At cost	474,429	503,842
Impairment	(11,089)	(11,776)
	1,540,668	4,748,729

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

For listed equity investments, the fair values are based on quoted market prices at the end of the reporting period. During the year, the fair value gains in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$794,205,000 (2014: HK$153,012,000).

The unlisted available-for-sale investments mainly represent Sinofert's investments in private entities. Sinofert's investments in unlisted equity securities are subsequently measured at cost less impairment at the end of each reporting period, because the range of reasonable fair value estimates is so significant that the directors of Sinofert are of the opinion that their fair values cannot be measured reliably.

21. AMOUNTS DUE FROM/TO RELATED PARTIES

	2015 HK$'000	2014 HK$'000
Amounts due from related parties		
Amounts due from associates (note i)	4,233,147	4,512,073
Amounts due from joint ventures (note v)	10,038,030	3,411,985
Amounts due from fellow subsidiaries (note ii)	19,776,266	33,283,145
Amounts due from the Ultimate Parent (note vii)	1,149,152	7,167
Amounts due from the immediate parent (note iii)	1,962,827	380,300
	37,159,422	41,594,670
Current	(25,124,490)	(29,390,360)
Non-current	12,034,932	12,204,310
Amounts due to related parties		
Amounts due to joint ventures (note vii)	45,407	122,857
Amounts due to the Ultimate Parent (note iv)	5,848,218	4,378,985
Amounts due to associates (note vii)	779,079	34,104
Amounts due to the immediate parent (note vii)	4,572,759	4,119,734
Amounts due to fellow subsidiaries (note vi)	8,360,690	1,285,464
	19,606,153	9,941,144
Current	(19,367,433)	(9,687,624)
Non-current	238,720	253,520

Notes:

(i) The amounts due from associates are interest-free, unsecured and repayable within one year or on demand, except for (a) the amount of HK$799,712,000 (2014: HK$887,320,000) which bears interest at 5.5%-6% per annum and is repayable within one year; and (b) the amount of HK$2,868,398,000 (2014: HK$3,134,851,000) which bears interest at 9% per annum and is not repayable within one year.

(ii) The amounts due from fellow subsidiaries are unsecured, interest-free and repayable within one year or on demand, except for (a) the amount of HK$658,835,000 (2014: Nil) which bears interest at 6-month LIBOR plus 130 basis points per annum; (b) the amount of HK$1,891,539,000 (2014: HK$1,030,472,000) which bears interest at 3-month LIBOR plus 240 basis points per annum and 6-month LIBOR plus 205 basis points and is not repayable within one year; and (c) the amount of HK$3,126,252,000 (2014: Nil) which bears interest at 4.5% and 3 month LIBOR plus 100 to 120 basis points.

21. AMOUNTS DUE FROM/TO RELATED PARTIES (continued)

Notes: (continued)

(iii) The amounts due from the immediate parent are unsecured, interest-free and repayable within one year, except for the amounts of HK$911,165,000 (2014: HK$319,008,000) and HK$1,050,196,000 (2014:Nil) which bears interest at 1.5% and 3-month LIBOR plus 50 basis points and 1.5% per annum, respectively.

(iv) The amounts due to the Ultimate Parent are unsecured, interest-free and repayable on demand, except for the loan amounted to HK$238,720,000 (2014: HK$253,520,000), which is with a maturity of 3 years at a fixed interest rate of 1.35% per annum.

(v) The amounts due from joint ventures are interest-free, unsecured and repayable on demand, except for the amounts of HK$146,779,000 (2014: HK$23,197,000) and HK$975,033,000 (2014: HK$1,027,788,000) which bear interest at 7% and 6.9% per annum, respectively.

(vi) The amounts due to fellow subsidiaries are interest-free, unsecured and repayable on demand, except for (a) the amount of HK$1,316,668,000 (2014: Nil) which bears interest at 0.35% per annum; and (b) the amount of HK$323,731,000 (2014: Nil) which bears interest at 1-month LIBOR plus 85 basis points and is repayable within one year.

(vii) The amounts are interest-free, unsecured and repayable on demand.

22. DUE FROM NON-CONTROLLING INTERESTS

The amounts due from non-controlling interests as at 31 December 2014, which were secured and bore interest at a rate of 8.54% per annum, were repaid to the Group during the year ended 31 December 2015.

23. OTHER ASSETS

	2015 HK$'000	2014 HK$'000
Other financial assets (non-current portion) (note i)	40,004	42,485
Advance payments for acquisition of items of property, plant and equipment	34,706	55,128
Other non-current assets	12,177	11,133
Finance lease receivables (note ii)	228,017	207,918
Other receivables (note iii)	223,800	-
Dismantlement fund (note iv)	105,093	63,483
	643,797	380,147
Other financial assets (current portion) (note i)	47,744	-

23. OTHER ASSETS (continued)

Notes:

(i) Other financial assets

The balance of the current portion of other financial assets as at 31 December 2015 represented financial products with original maturity within three months when acquired from banks of HK$47,744,000 (2014: Nil).

The balance of the non-current portion of other financial assets represented the amounts recoverable from non-controlling interests as estimated by management in relation to the acquisition of Sanya Yazhouwan in 2012. The balance is not repayable within one year.

(ii) Finance lease receivables

The finance lease receivables of HK$228,017,000 (2014: HK$207,918,000) represent the finance lease receivables of South Atlantic Holding B.V. (“SAHBV”) as a lessor. SAHBV records finance lease receivable as the expected present value of minimum lease payments. The underlying assets of the finance lease are electric submersible pumps and drill pipes which are used in the development and production of Peregrino Phase I oilfield. The finance lease asset is expected to be repaid over the lifetime of the oilfield.

(iii) The other receivables represent the non-current balance of entrusted loan to a third party of HK$223,800,000 which is unsecured, bears interest at a rate of 5.5% per annum and is repayable in year 2018 (2014: Nil).

(iv) Pursuant to regulations in Mainland China, the Group makes monthly cash contributions to the specific dismantlement fund accounts supervised by the PRC government. The deposit cannot be withdrawn or utilised for any other purposes but the dismantlement of oil and gas production facilities in the future.

24. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	1,061,117	1,209,728
Work in progress	74,507	57,535
Fertiliser merchandise and finished goods	8,072,302	7,030,676
Consumables	61,452	77,728
	9,269,378	8,375,667

During the year 2015, the Group recognised an amount of HK$67,486,000 (2014: HK$51,382,000) as write-down of inventories.

25. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group’s properties held for sale are situated in Mainland China.

At 31 December 2015, certain of the Group’s properties included in properties held for sale with a net carrying amount of approximately HK$222,062,000 (2014: HK$259,288,000) were pledged to secure bank loans granted to the Group (note 33).

26. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	14,187,478	16,981,991
Impairment and reversal of impairment losses	(15,802)	(33,209)
	14,171,676	16,948,782
Bills receivable	491,442	1,526,795
Total trade and bills receivables	14,663,118	18,475,577

The Group allows an average credit period normally within 90 days to its trade customers. Before accepting any new customer, the Group, based on past experience, assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. They are stated net of provisions.

The Group has pledged trade and bills receivables of approximately HK$21,006,000 (2014: HK$191,776,000) to secure a bank loan granted to the Group (note 33).

At 31 December 2015, trade debtors of HK$15,802,000 (2014: HK$33,209,000) were individually determined to be impaired. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. Movements in the provision for impairment losses are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	33,209	35,451
Impairment losses recognised	7,230	23,884
Impairment losses reversed	(14,502)	-
Amounts written off as uncollectible	(8,851)	(25,999)
Exchange realignment	(1,284)	(127)
	15,802	33,209

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	14,514,430	16,149,508
Past due but not impaired:		
Less than 90 days	111,257	1,990,515
91 to 360 days	3,189	288,865
Over 360 days	34,242	46,689
	14,663,118	18,475,577

26. TRADE AND BILLS RECEIVABLES (continued)

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	1,898,731	1,910,826
Deposits	2,444,247	1,261,096
Other receivables	1,617,609	1,467,754
Due from non-controlling interests	2,148,779	2,166,677
Entrusted loans to third parties	818,452	236,027
	8,927,818	7,042,380

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The amounts due from non-controlling interests are unsecured, interest-free and repayable within one year, except for the amounts of HK$1,524,505,000, in aggregate, which bear interest at rates from 0.35% to 6.60% per annum (2014: HK$1,820,598,000, in aggregate, which bore interest at rates from 0.35% to 8.54% per annum).

The current balances of entrusted loans to third parties are unsecured amounts of HK$343,757,000, HK$328,240,000 and HK$146,455,000, bearing interest at rates of 12%, 5.5% and 4.35% per annum (2014: HK$236,027,000, bearing interest at a rate of 6% per annum, respectively) and receivable within one year.

28. HELD-FOR-TRADING INVESTMENTS

	2015 HK$'000	2014 HK$'000
Equity securities listed in Hong Kong at fair value	-	8,375

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK$'000	2014 HK$'000
Financial assets:		
Crude oil derivative financial instruments	664,747	3,845,858
Other derivative financial instruments	96,383	210,739
	761,130	4,056,597
Financial liabilities:		
Crude oil derivative financial instruments	726,558	3,178,910
Forward exchange contracts	118,762	32,492
	845,320	3,211,402

The fair values of the crude oil derivative financial instruments are estimated based on the difference between the contracted strike prices and prevailing futures prices or published oil indexes as at the end of the reporting period. The prevailing future prices or published oil indexes are derived from the relevant futures exchanges or oil price publications as specified in the contracts.

Forward exchange contracts are designated as hedging instruments in respect of bond interest payable in Swiss Franc. The terms of the forward exchange contracts match the terms of the Swiss Franc bonds issued. The cash flow hedges relating to expected future interest payable in 2016-2022 were assessed to be highly effective and net gains of HK$26,583,000 were included in the hedging reserve.

Other derivative financial instruments included a right to acquire non-controlling interests of 49% interests in Franshion Shengrong, which was measured at fair value of HK$96,383,000 (2014: HK$102,359,000). On 28 March 2016, Jinmao has exercised such right. Further details of the transaction are included in note 49 to the consolidated financial statements.

30. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	17,719,902	14,243,811
Time deposits	4,120,044	4,175,267
	21,839,946	18,419,078
Less: Pledged for short-term bank loans	-	6,338
Restricted bank balances	3,291,179	1,591,921
Pledged bank deposits (note i)	3,291,179	1,598,259
Cash and cash equivalents (note ii)	18,548,767	16,820,819

Notes:

(i) Pledged bank deposits

At 31 December 2015, none of the Group's time deposits were pledged to secure bank loans granted to the Group (2014: HK$6,338,000) (note 33).

30. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash held by the Group bearing interest at prevailing market rates.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

31. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, is as follows:

	2015 HK$'000	2014 HK$'000
Within one year	34,817,837	48,077,867
Over one year	811,479	481,236
	35,629,316	48,559,103

32. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Other payables	3,960,935	3,672,213
Receipt in advances	19,009,983	13,737,077
Accruals	767,762	633,296
Due to non-controlling interests	3,098,735	2,809,421
Consideration payable for acquisition of Sinochem Yunlong	274,528	291,548
Distribution guarantee	-	160,991
Dividend payable to non-controlling interests	204,692	1,521
	27,316,635	21,306,067

The amounts due to non-controlling interests as at 31 December 2015 are unsecured, interest-free and are repayable on demand.

33. INTEREST-BEARING BORROWINGS

Current	2015 HK$'000	2014 HK$'000
Bank loans, secured (note i)	3,099,142	1,992,719
Bank loans, guaranteed (note ii)	313,740	7,808,371
Bank loans, unsecured	6,257,922	2,300,849
Guaranteed notes, unsecured	-	-
Short term financial bonds (note iv)	2,387,200	-
Other loans, unsecured	93,101	12,676
	12,151,105	12,114,615

Non-current	2015 HK$'000	2014 HK$'000
Bank loans, secured (note i)	13,226,592	15,180,549
Bank loans, guaranteed (note ii)	2,635,340	2,637,176
Bank loans, unsecured	7,458,195	10,533,025
Guaranteed senior notes, unsecured (note iii)	32,025,611	32,106,521
Notes issued under the notes issuance under the medium-term note programme (note vi)	9,107,113	7,363,288
Bonds, guaranteed (note vii)	2,973,061	3,154,404
Domestic corporate bonds, unsecured (note viii)	2,615,286	-
Other loans, unsecured (note v)	453,557	240,844
	70,494,755	71,215,807

Carrying amounts repayable:	2015 HK$'000	2014 HK$'000
Within one year	12,151,105	12,114,615
In the second year	17,180,593	6,515,448
In the third to fifth years, inclusive	38,576,347	40,402,702
Beyond five years	14,737,815	24,297,657
	82,645,860	83,330,422

Notes:

(i) The Group's bank and other borrowings are secured by:

(a) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of approximately HK$3,193,147,000 (2014: HK$1,065,596,000);

(b) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately HK$17,671,748,000 (2014: HK$23,959,378,000);

(c) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$222,062,000 (2014: HK$259,288,000);

(d) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK$14,194,038,000 (2014: HK$12,280,547,000);

33. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(e) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of HK$1,132,633,000 (2014: HK$231,487,000);

(f) mortgages over certain of the Group's trade and bills receivables, which had an aggregate carrying amount at the end of the reporting period of HK$21,006,000 (2014: HK$191,776,000);

(g) the pledge of certain of the Group's time deposits, which had an aggregate carrying amount at the end of the reporting period of nil (2014: HK$6,338,000).

(ii) The Group's bank and other borrowings are guaranteed by the Ultimate Parent, the immediate parent or the third parties.

(iii) On 4 November 2010, Sinochem Overseas Capital Company Limited, a wholly-owned subsidiary of the Group, issued US$1,500,000,000 4.5% guaranteed senior notes due 2020 (the "2020 Notes") and US$500,000,000 6.3% guaranteed senior notes due 2040 (the "2040 Notes"). The 2020 Notes and the 2040 Notes are unsecured.

On 15 April 2011, Jinmao Development Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 6.75% guaranteed senior notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured. The 2021 Notes bear interest at a rate of 6.75% per annum and will mature on 15 April 2021.

On 26 October 2012, Jinmao Investment Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 4.70% guaranteed senior notes due 2017 (the "2017 Notes"). The 2017 Notes are unsecured. The 2017 Notes bear interest at a rate of 4.70% per annum and will mature on 26 October 2017.

On 21 August 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$200,000,000 6.40% guaranteed senior notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured. The 2022 Notes bear interest at a rate of 6.40% per annum and will mature on 27 April 2022.

On 9 October 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$300,000,000 5.375% guaranteed senior notes due 2018 (the "2018 Notes"). The 2018 Notes are unsecured. The 2018 Notes bear interest at a rate of 5.375% per annum and will mature on 17 October 2018.

On 12 March 2014, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 5.75% guaranteed senior notes due 2019 (the "2019 Notes"). The 2019 Notes are unsecured .The 2019 Notes bear interest at a rate of 5.75% per annum and will mature on 19 March 2019.

On 6 August 2014, China Jin Mao (Group) Co., Ltd., a non-wholly-owned subsidiary of Jinmao, issued RMB1,000,000,000 5.6% mid-term notes due 2017 (the "Mid-Term Notes"). The Mid-Term Notes bear interest at a rate of 5.6% per annum and with a maturity period of 3 years.

33. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(iv) A subsidiary of Sinofert issued a one-year commercial paper of RMB2 billion in the PRC debenture market on 19 October 2015. This commercial paper bears a fixed interest rate of 3.4% per annum and the interest is paid annually. Interest payable for the current period was included in other payables.

(v) The balance represents amount due to a fellow subsidiary of Jinmao.

(vi) Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, established a US$3,000 million Medium-Term Note Programme (the “Programme”) on 17 April 2014. According to the Programme, the notes to be issued under the Programme are unsecured and guaranteed on an unsubordinated basis by the Company. On 29 April 2014, 13 May 2014, 10 September 2014 and 17 June 2015, Sinochem Offshore Capital Company Limited issued US$500,000,000 3.25% senior guaranteed notes (due 2019), RMB2,500,000,000 3.55% senior guaranteed notes (due 2017), RMB300,000,000 4.00% senior guaranteed notes (due 2021) and CHF250,000,000 0.76% senior notes (due 2022) under this Programme, respectively.

(vii) On 25 November 2009, a PRC subsidiary of Sinofert issued corporate bonds with an aggregate principal amount of RMB2.5 billion with a maturity of 10 years at a fixed interest rate of 5% per annum. The transaction costs of RMB23,265,000 directly attributable to the issuance of the bonds have been deducted from the principal amount of the bonds. The repayment of the bonds is guaranteed by Sinochem Group.

(viii) On 10 December 2015, Jinmao Investment Management (Shanghai) Co., Ltd. (formerly known as Franshion Properties Investment Management (Shanghai) Co., Ltd.,), a wholly-owned subsidiary of Jinmao, issued five-year domestic corporate bonds with an aggregate principal amount of RMB2,200,000,000 (equivalent to HK$2,615,286,000) to qualified investors. The final coupon rate of the corporate bonds was fixed at 3.55% based on the book-building process with the lead underwriters.

The ranges of the effective interest rates (which are also equal to contractual interest rates) on the Group’s borrowings are as follows:

	2015	2014
Effective interest rate:		
Fixed rate borrowings	1.35% to 10.56%	1.35% to 6.34%
Variable rate borrowings	0.81% to 7.07%	0.77% to 7.07%

34. PROVISION FOR LAND APPRECIATION TAX ("LAT")

	HK$'000
At 1 January 2014	2,193,118
Charged to profit or loss during the year (note 8)	1,093,786
Payment	(868,558)
Transfer from prepaid tax	(31,341)
Exchange realignment	5,921
At 31 December 2014 and at 1 January 2015	2,392,926
Charged to profit or loss during the year (note 8)	885,498
Payment	(733,828)
Transfer from prepaid tax	(93,715)
Exchange realignment	(187,553)
At 31 December 2015	2,263,328

According to the requirements of the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通标准住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

Jinmao has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

35. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities

2015

	Depreciation allowance in excess of related depreciation	Fair value adjustments on business combinations	Accrued interest income	Revaluation of investment properties	Foreign exchange differences	Withholding taxes	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	213,856	2,882,918	39,766	3,710,202	1,045,422	73,948	80,940	8,047,052
Deferred tax charged/ (credited) to profit or loss during the year (note 8)	167,568	(15,844)	65,355	390,502	289,516	-	101,759	998,856
Deferred tax recognised in other comprehensive income during the year	-	-	-	5,212	-	-	2,037	7,249
Exchange realignment	(31,028)	(66,031)	(4,979)	(231,522)	(758)	(4,317)	(5,867)	(344,502)
Gross deferred tax liabilities at 31 December 2015	350,396	2,801,043	100,142	3,874,394	1,334,180	69,631	178,869	8,708,655

2014

	Depreciation allowance in excess of related depreciation	Fair value adjustments on business combinations	Accrued interest income	Revaluation of investment properties	Foreign exchange differences	Withholding taxes	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	72,382	2,902,355	-	3,151,415	966,230	74,021	(32,475)	7,133,928
Deferred tax charged/ (credited) to profit or loss during the year (note 8)	142,950	(16,108)	39,616	566,291	78,859	-	108,981	920,589
Deferred tax recognised in other comprehensive income during the year	-	-	-	-	-	-	4,311	4,311
Exchange realignment	(1,476)	(3,329)	150	(7,504)	333	(73)	123	(11,776)
Gross deferred tax liabilities at 31 December 2014	213,856	2,882,918	39,766	3,710,202	1,045,422	73,948	80,940	8,047,052

35. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets

2015

	Accelerated tax depreciation	Other provision	Provision for LAT	Unrealised profits in inventories	Losses available for offsetting taxable profits	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	36,262	36,601	608,360	3,578	440,304	418,089	1,543,194
Deferred tax (charged)/ credited to profit or loss during the year (note 8)	(4,025)	(7,443)	(8,135)	362	199,392	59,069	239,220
Exchange realignment	13	(1,562)	(35,184)	(224)	(18,841)	(24,230)	(80,028)
Gross deferred tax assets at 31 December 2015	32,250	27,596	565,041	3,716	620,855	452,928	1,702,386

2014

	Accelerated tax depreciation	Other provision	Provision for LAT	Unrealised profits in inventories	Losses available for offsetting taxable profits	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	38,444	83,076	548,280	2,401	599,079	299,653	1,570,933
Deferred tax (charged)/ credited to profit or loss during the year (note 8)	(2,193)	(46,272)	61,700	1,181	(156,352)	119,414	(22,522)
Exchange realignment	11	(203)	(1,620)	(4)	(2,423)	(978)	(5,217)
Gross deferred tax assets at 31 December 2014	36,262	36,601	608,360	3,578	440,304	418,089	1,543,194

35. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. By reference to financial budgets, the management of the Group has assessed whether there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

The Group has recognised deferred tax assets in respect of tax losses amounting to approximately HK$1,054,380,000 (2014: HK$1,582,988,000) that can be carried forward against taxable income in the coming five years in Mainland China. A subsidiary of the Group incorporated in Brazil has recognised deferred tax assets in respect of tax losses amounting to approximately HK$1,029,566,000 (2014: HK$23,573,000) that were available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

No deferred tax assets were recognised on the remaining tax losses of approximately HK$2,819,731,000 (2014: HK$2,731,794,000) that will expire in one to five years as the Group determines that the realisation of the related tax benefit through future taxable profits is not considered probable that taxable profits will be available against which the tax losses can be utilised.

During the year ended 31 December 2015, Sinofert and Jinmao have written down the carrying amounts of deferred tax assets for HK$123,051,000 (2014: HK$57,166,000) and HK$25,424,000 (2014: HK$27,559,000) because management assesses that it is no longer probable for Sinofert and Jinmao to make sufficient taxable profit to cover tax losses of HK$492,206,000 (2014: HK$228,663,000) and HK$110,236,000 (2014: HK$110,236,000). Sinochem Resources UK Limited, a wholly-owned subsidiary of the Group, has written down the carrying amount of deferred tax assets for HK$37,814,000 (2014: Nil) as it is no longer probable for Sinochem Resources UK Limited to make sufficient accessible profit in the future to utilise the future deductible amount of HK$180,172,000 (2014: Nil).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Jinmao and Sinofert are therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China to foreign investors in respect of earnings generated from 1 January 2008. At 31 December 2015, Jinmao recognised deferred tax liabilities of approximately HK$69,631,000 (2014: HK$73,948,000) for withholding taxes that would be payable on the unremitted earnings in the PRC. As Jinmao and Sinofert control the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investments in subsidiaries. Furthermore, Jinmao and Sinofert have determined that certain profits earned by the PRC subsidiaries will not be distributed to foreign investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to retained earnings of those PRC subsidiaries of approximately HK$17,317,082,000 and RMB173,210,000 (equivalent to HK$206,743,000), respectively, at 31 December 2015 (2014: HK$12,892,914,000 and RMB149,720,000 (equivalent to HK$189,785,000), respectively).

36. OTHER NON-CURRENT LIABILITIES

	2015 HK$'000	2014 HK$'000
Provision for dismantlement costs (note i)	2,400,032	3,253,667
Others	53,516	53,876
	2,453,548	3,307,543

Note:

(i) Provision for dismantlement costs:

The balance represents the provision for future dismantlement costs of oil and gas properties.

	2015 HK$'000	2014 HK$'000
Carrying amount		
At 1 January	3,253,667	2,867,634
Revision of dismantlement costs	(991,214)	284,102
Accretion	139,846	112,888
Payment	-	(11,945)
Exchange realignment	(2,267)	988
At 31 December	2,400,032	3,253,667

37. ISSUED CAPITAL

	2015 HK$'000	2014 HK$'000
Ordinary shares of HK$1 each		
Authorised (note(i)) ordinary shares (note(ii))	-	-
Issued and fully paid: 23,753,000 (2014: 23,753,000) ordinary shares	23,753,000	23,753,000

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of members of the Company as a result of this transition.

37. ISSUED CAPITAL (continued)

On 27 May 2013, the Company increased its authorised share capital from HK$19,359,700,000 to HK$20,850,800,000 by the creation of 1,491,100,000 ordinary shares of HK$1 each. On the same date, the Company issued and allotted a total of 1,491,100,000 ordinary shares of HK$1 each at par to the immediate parent. These shares rank pari passu in all respects with other existing shares in issue. The consideration for the new shares issued during the year was satisfied by a transfer from other reserve amounting to HK$1,488,614,000 which was then credited into the share capital account of the Company and the exchange rate impact amounting to HK$2,486,000. The additional capital was used to finance the Group's overseas oil and gas investments.

On 28 December 2013, the Company increased its authorised share capital from HK$20,850,800,000 to HK$21,872,000,000 by the creation of 1,021,200,000 ordinary shares of HK$1 each. At the same time, the Company issued and allotted a total of 1,021,200,000 ordinary shares of HK$1 each to the immediate parent. These shares rank pari passu in all respects with other shares in issue.

On 29 December 2014, the Company increased its authorised share capital from HK$21,872,000,000 to HK$23,753,000,000 by the creation of 1,881,000,000 ordinary shares of HK$1 each. At the same time, the Company issued and allotted a total of 1,881,000,000 ordinary shares of HK$1 each to the immediate parent. These shares rank pari passu in all respects with other shares in issue.

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000
At 1 January 2014	21,872,000	21,872,000
Issue of shares	1,881,000	1,881,000
	23,753,000	23,753,000
At 31 December 2014 and 1 January 2015	23,753,000	23,753,000
Issue of shares	-	-
At 31 December 2015	23,753,000	23,753,000

38. PERPETUAL CAPITAL SECURITIES

On 2 May 2013, Sinochem Global Capital Co., Ltd., a wholly-owned subsidiary of the Group, issued subordinated guaranteed perpetual capital securities with a nominal amount of US$600,000,000 (approximately HK$4,653,720,000), which are guaranteed on a subordinated basis by the Group. The direct transaction costs attributable to the perpetual capital securities amounted to HK$34,460,000.

The perpetual capital securities have no fixed maturity, and confer a right to the holders to receive distributions for the period from and including 2 May 2013 at the applicable rate. Sinochem Global Capital Co., Ltd. and the Company, as the issuer and the guarantor, respectively, may, at their sole discretion, elect to defer payment of distributions, in whole or in part, by giving notice to the holders of not more than ten nor less than five business days prior to a scheduled distribution payment date. The Group is not subject to any limits as to the number of times on distributions and arrears of distribution may be deferred.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual capital securities other than an unforeseen liquidation of the Group or Sinochem Global Capital Co., Ltd. Accordingly, the perpetual capital securities are classified as equity instruments.

39. DISPOSAL/DEEMED DISPOSAL OF SUBSIDIARIES

On 23 December 2015, SPL signed an agreement with Greatpart, a fellow subsidiary of the Group, on the sale and purchase of equity interest of SYH. According to the agreement, Greatpart shall purchase 100% of equity interest of SYH, together with all its accrued benefits and rights attached. The consideration of this transaction was determined based on the book value of SYH's net assets as at 30 June 2015 (effective date of the agreement), which amounted to HK$-423,072,000, thus no gain or loss was recognised by the Group relating to the transaction.

During the years ended 31 December 2015 and 2014, Jinmao lost control over certain subsidiaries upon capital injections from third party investors into these subsidiaries. As at 31 December 2015 and 2014, these investees were measured and disclosed as investments in associates and joint ventures in the consolidated statement of financial position.

Details of the financial impacts are summarised below:

	2015 HK$'000	2014 HK$'000
Net assets/liabilities disposed of:		
Property, plant and equipment	85	399
Intangible assets	843	257
Investments in joint ventures	684,851	-
Other non-current assets	-	184
Cash and cash equivalents	8,944	1,379,755
Inventories	8,656	-
Trade and bills receivables	102,366	-
Prepayment	549,935	-
Properties under development	-	7,804,009
Other current assets	-	6,726
Trade and bills payables	(12,371)	(104)
Other payables and accruals	(1,646,041)	(4,373,894)
Amounts due to fellow subsidiaries	(90,753)	-
Tax payable	(1,112)	-
Interest bearing bank and other borrowings	-	(4,609,609)
Non-controlling interests	-	(127,546)
	(394,597)	80,177
Fair value of interests retained in equity investment	11,935	81,880
Gain on disposal/deemed disposal of subsidiaries	4,367	1,703

An analysis of the net outflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries is as follows:

	2015 HK$'000	2014 HK$'000
Cash consideration	21,065	-
Cash and cash equivalents disposed of	(8,944)	(1,379,755)
Net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	12,121	(1,379,755)

40. SHARE OPTION SCHEME

Jinmao operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Eligible participants of the Scheme include Jinmao's executive and non-executive directors and Jinmao's senior management, key technical and professional personnel, managers and employees, but do not include Jinmao's independent non-executive directors. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Jinmao in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of Jinmao in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, in excess of 0.1% of the shares of Jinmao in issue at any time or with an aggregate value (based on the price of Jinmao's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of Jinmao. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of Jinmao's shares on the grant date of the share options; (ii) the average Stock Exchange closing price of Jinmao's shares for the five trading days immediately preceding the grant date; and (iii) the par value of Jinmao's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

40. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	HK$ per share		HK$ per share	
At 1 January	2.46	45,427,670	2.46	56,599,270
Forfeited during the year	2.44	(10,305,440)	2.44	(11,171,600)
Exercised during the year	2.44	(3,619,120)	-	-
Expired during the year	3.37	(1,180,270)	-	-
At 31 December	2.43	30,322,840	2.46	45,427,670

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.97 per share (2014: No share options were exercised.)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2015

Number of options	Exercise price* HK$ per share	Exercise period
7,226,080	2.44	28 November 2014 to 27 November 2019
8,439,160	2.44	28 November 2015 to 27 November 2019
14,657,600	2.44	28 November 2016 to 27 November 2019
30,322,840		

2014

Number of options	Exercise price* HK$ per share	Exercise period
1,180,270	3.37	5 May 2010 to 4 May 2015
13,274,220	2.44	28 November 2014 to 27 November 2019
13,274,220	2.44	28 November 2015 to 27 November 2019
17,698,960	2.44	28 November 2016 to 27 November 2019
45,427,670		

***** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Jinmao's share capital.

40. SHARE OPTION SCHEME (continued)

The fair value of the share options granted during the year ended 31 December 2012 was HK$51,858,000 (HK$0.89 each), of which Jinmao recognised a share option expense of HK$9,940,000 (2014: HK$17,502,000) during the year ended 31 December 2015.

The fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, which was fully recognised in prior years.

The 3,619,120 share options exercised during the year resulted in the issue of 3,619,120 ordinary shares of Jinmao and new share capital of HK$8,832,000 (before issue expenses) for Jinmao.

At the end of the reporting period, Jinmao had 30,322,840 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of Jinmao, result in the issue of 30,322,840 additional ordinary shares of Jinmao and additional share capital of HK$73,988,000 (before issue expenses).

41. CONTINGENT LIABILITIES

At the end of the reporting period, Jinmao has provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao’s properties amounting to approximately HK$14,538,748,000 (2014: HK$8,409,881,000).

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements. The leases are negotiated for terms ranging from one to ten years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	1,368,119	1,156,331
In the second to fifth years, inclusive	1,247,569	1,246,680
After five years	49,688	32,143
	2,665,376	2,435,154

(b) As lessee

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	86,070	107,156
In the second to fifth years, inclusive	50,120	111,891
After five years	2,595	3,899
	138,785	222,946

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	67,698	450,995
Properties under development	18,641,716	12,547,061
Capital contributions to joint ventures	191,573	-
Land under development	1,059,291	367,855
	19,960,278	13,365,911
Authorised, but not contracted for:		
Property, plant and equipment	655,857	829,374
Oil and gas properties	2,386,901	2,830,687
Investments in an associate and others	358,080	5,311,372
	3,400,838	8,971,433
	23,361,116	22,337,344

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2015 HK$'000	2014 HK$'000
The Ultimate Parent:		
Management fee income	473	413
Sale of fertilisers	397,835	82,854
Purchase of fertilisers	742,525	144,678
Purchase of crude oil and petroleum products	334,615	-
Other operating expenses	8,837	5,138
Interest income	-	20,920
Rental income	9,771	9,023
Other income	18,373	-
Interest expense	3,406	3,249
The immediate parent:		
Interest income	86,083	51,761
Rental income	93,036	81,191
Property management fee income	10,121	16,667
Fellow subsidiaries:		
Sale of chemical products	2,004,784	2,240,556
Purchase of chemical products	31,521	344,138
Purchase of fertilisers	27,765	8,766
Interest expense	70,200	67,857
Rental income	268,496	254,837
Property management fee income	24,093	21,960
Interest income	104,324	113,317
Other operating expenses	446,046	408,478
Management fee expenses	126,603	111,720
Storage fee expenses	477	163
Purchase of crude oil and petroleum products	1,341,183	532,109
Associates:		
Sale of crude oil and petroleum products	5,929,378	15,661,529
Purchase of fertilisers	1,963,570	1,183,532
Sale of chemical products	8,018	15,570
Storage fee expenses	21,377	3,583
Interest income	329,023	167,864
Interest expense	1,452	-
Other income	61,048	219,148
Joint ventures:		
Sale of fertilisers	410,130	424,507
Rental income	365	323
Property management fee income	44	-
Interest income	101,135	123
Sale of land	452,816	-
Purchase of fertilisers	1,608,452	1,652,496
Consulting fee expense	20,114	-
Purchase of crude oil and petroleum products	140,040	914,954

44. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

(i) During the year, the Group disposed a subsidiary, SYH, to a fellow subsidiary. Further details of the transaction are included in note 39 to the consolidated financial statements.

(ii) During the year, the Group disposed all assets and liabilities related to the Group's share of working interest in Block 26 in Syria, with the net book value of nil, to a fellow subsidiary. Further details of the transaction are included in note 17 to the consolidated financial statements.

(c) At the end of the reporting period, certain bank borrowings granted to the Group are guaranteed by its Ultimate Parent or immediate parent.

(d) Compensation of key management personnel of the Group:

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	48,121	47,431
Performance-related incentive payments	5,372	4,897
Post-employment benefits	3,029	3,384
Share-based payments	2,846	3,536
Total compensation paid to key management personnel	59,368	59,248

(e) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the Chinese government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

During the year, the Group had transactions with other state-owned entities ("SOEs") including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	-	-	1,540,668	1,540,668
Amounts due from related parties	-	37,159,422	-	37,159,422
Financial assets included in other assets	87,748	451,817	-	539,565
Trade and bills receivables	-	14,663,118	-	14,663,118
Financial assets included in prepayments, deposits and other receivables	-	7,029,087	-	7,029,087
Derivative financial instruments	761,130	-	-	761,130
Pledged bank deposits	-	3,291,179	-	3,291,179
Cash and cash equivalents	-	18,548,767	-	18,548,767
Other deposits	-	1,430	-	1,430
	848,878	81,144,820	1,540,668	83,534,366

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	-	35,629,316	35,629,316
Financial liabilities included in other payables and accruals	-	8,306,652	8,306,652
Derivative financial instruments	845,320	-	845,320
Interest-bearing borrowings	-	82,645,860	82,645,860
Amounts due to related parties	-	19,606,153	19,606,153
	845,320	146,187,981	147,033,301

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	-	-	4,748,729	4,748,729
Amounts due from related parties	-	41,594,670	-	41,594,670
Amounts due from non-controlling interests	-	126,760	-	126,760
Financial assets included in other non-current assets	42,485	207,918	-	250,403
Trade and bills receivables	-	18,475,577	-	18,475,577
Financial assets included in prepayments, deposits and other receivables	-	5,131,554	-	5,131,554
Held-for-trading investments	8,375	-	-	8,375
Derivative financial instruments	4,056,597	-	-	4,056,597
Pledged bank deposits	-	1,598,259	-	1,598,259
Cash and cash equivalents	-	16,820,819	-	16,820,819
Other deposits	191,661	-	-	191,661
	4,299,118	83,955,557	4,748,729	93,003,404

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	-	48,559,103	48,559,103
Financial liabilities included in other payables and accruals	-	7,568,990	7,568,990
Derivative financial instruments	3,211,402	-	3,211,402
Interest-bearing borrowings	-	83,330,422	83,330,422
Amounts due to related parties	-	9,941,144	9,941,144
	3,211,402	149,399,659	152,611,061

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2015		2014	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities:				
Interest-bearing borrowings	82,645,860	84,884,793	83,330,422	86,050,867
	82,645,860	84,884,793	83,330,422	86,050,867

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, available-for-sale investments, amounts due from/to related parties, amounts due from non-controlling interests, financial assets included in other non-current assets, financial assets included in prepayments, deposits and other receivables, held-for-trading investments, derivative financial instruments, other deposits, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant.

The fair value of available-for-sale securities is determined by reference to their quoted bid price at the end of the reporting period. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of call option included in derivative financial instruments has been estimated using the residual method. The residual method measures the fair value of a property by deducting the estimated development costs including outstanding construction costs, marketing expenses and developer profit from the gross development value assuming that it was completed as at the valuation date. The fair value of other non-current assets has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, are reasonable and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant observable inputs	Sensitivity of fair value to the input
Financial assets included in other non-current assets	Discounted cash flow method	Discount rate for cash flows	5% (2014: 5%) increase/(decrease) in discount rate would result in decrease/ (increase) in fair value by HK$406,000 (2014: HK$340,000)
Derivative financial instruments	Residual method	Average selling price per sqm for the properties, taking into account location and properties' quality	5% (2014: 5%) increase/(decrease) in average selling price would result in increase/(decrease) in fair value by HK$1,104,000 (2014: HK$10,711,000)
		Construction cost, taking into account management's experience and estimated budget	5% (2014: 5%) increase/(decrease) in construction cost would result in decrease/(increase) in fair value by HK$3,999,000 (2014: HK$8,941,000)

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Listed available-for-sale investments	1,077,328	-	-	1,077,328
Derivative financial instruments	376,261	288,486	96,383	761,130
Financial assets included in other assets	-	-	87,748	87,748
	1,453,589	288,486	184,131	1,926,206

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Listed available-for-sale investments	4,256,663	-	-	4,256,663
Unlisted available-for-sale investments	-	-	490,735	490,735
Held-for-trading investments	8,375	-	-	8,375
Derivative financial instruments	881,809	2,964,049	210,739	4,056,597
Financial assets included in other non-current assets	-	-	42,485	42,485
	5,146,847	2,964,049	743,959	8,854,855

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	410,026	435,294	-	845,320
	410,026	435,294	-	845,320

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	67,363	3,144,039	-	3,211,402
	67,363	3,144,039	-	3,211,402

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

	2015 HK$'000	2014 HK$'000
Other financial assets:		
At 1 January	743,959	507,996
Purchase	47,744	102,359
Disposals	(108,380)	-
Net unrealised gains or losses recognised in profit or loss during the year	-	134,809
Transfer out due to changes in measurement	(490,735)	-
Exchange realignment	(8,457)	(1,205)
At 31 December	184,131	743,959

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

The Group did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair value is disclosed as at 31 December 2015 (2014: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing borrowings	48,960,003	35,924,790	-	84,884,793
	48,960,003	35,924,790	-	84,884,793

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing borrowings	45,344,658	40,706,209	-	86,050,867
	45,344,658	40,706,209	-	86,050,867

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's exposure to business risk, market risk (foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Business risk

The major operations of the Group are conducted in the PRC and other countries, and accordingly, the Group is subject to special considerations and significant risks not typically associated with investments in equity securities of the United States of America and Western European companies. These include risks associated with, among others, the oil and gas industry, the political, economic and legal environments, influence of the national authorities over price setting and competition in the industry.

Foreign currency risk

Certain bank balances, trade and bills receivables, other receivables, trade and bills payables, other payables, amounts due from and to related companies, bank balances and borrowings are denominated in currencies other than the functional currencies of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the rates of US$, HK$ and RMB. The following table illustrates the sensitivity to profit or loss where the relevant functional currencies strengthen 2% against the respective foreign currencies. 2% is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to relevant functional currencies at year end for a 2% change in foreign currency rates. For a 2% weakening of relevant functional currencies against the respective foreign currencies, there would be an equal and opposite impact on the profit for the year.

	Increase/(decrease) in profit	
	2015	2014
	HK$'000	HK$'000
US$	515,196	440,278
HK$	-	(260)
RMB	(17,792)	3,260

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see notes 33 and 21 for details of borrowings and amounts due from related parties, respectively). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances and borrowings, of which details are disclosed in notes 30 and 33, respectively.

The Group currently does not have an interest rate hedging policy, however, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly due to the fluctuation of prevailing interest rates announced by the People's Bank of China and the fluctuation of LIBOR.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for variable rate bank borrowings of the Group at the end of the reporting period and the reasonably possible change taking place at the beginning of each year, with all other variables held constant throughout the year. Management used a change of 50 basis points (2014: 50 basis points) to assess interest rate risk on the borrowings. If interest rates had been 50 basis points (2014: 50 basis points) higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have decreased/increased by approximately HK$161,250,000 (2014: decreased/increased by approximately HK$193,912,000).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments in respect of equity securities listed on the respective stock exchanges.

Management would manage its exposure arising from these investments by closely monitoring the performance of the respective listed equity securities and market conditions. Management will consider diversifying the portfolio of these investments as they consider appropriate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period:

If the prices of the respective listed equity securities, which are available-for-sale investments, had been 5% (2014: 5%) higher/lower, the investment revaluation reserve of the Group would have increased/decreased by approximately HK$53,866,000 (2014: HK$212,833,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

The Group's maximum exposure to credit risk, which represents the risk of financial losses to the Group due to the default of counterparties, arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The related parties have a strong financial background. Accordingly, in the opinion of the directors, the credit risk on amounts due from related parties is limited. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have significant concentration of credit risk as trade receivables are due from a large number of customers.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the Group and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Year ended 31 December 2015	Less than 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	35,629,316	-	-	35,629,316
Financial liabilities included in other payables and accruals	8,306,652	-	-	8,306,652
Derivative financial instruments	845,320	-	-	845,320
Interest-bearing borrowings	17,149,988	64,678,392	20,414,254	102,242,634
Amounts due to related parties	19,367,433	238,720	-	19,606,153
	81,298,709	64,917,112	20,414,254	166,630,075

Year ended 31 December 2014	Less than 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	48,559,103	-	-	48,559,103
Financial liabilities included in other payables and accruals	7,568,990	-	-	7,568,990
Derivative financial instruments	3,211,402	-	-	3,211,402
Interest-bearing borrowings	21,168,445	67,621,569	38,823,120	127,613,134
Amounts due to related parties	9,687,624	253,520	-	9,941,144
	90,195,564	67,875,089	38,823,120	196,893,773

Capital management

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

The capital structure of the Group consists of debt, which includes borrowings, equity instruments and equity attributable to owners of the parent, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, the issue of new shares, the issue of new debts or the redemption of existing debts.

48. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

2015	Jinmao	Sinofert	Shanghai Yin Hui	Shanghai Xingwaitan	JCIHL	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Percentage of equity interest held by non-controlling interests	46.03%	47.35%	73.01%	73.01%	64.09%	73.01%
Profit/(loss) for the year allocated to non-controlling interests	3,057,411	107,325	430,897	(1,606)	337,896	499,406
Dividends declared to non-controlling interests	1,472,553	35,452	-	-	189,410	-
Accumulated balances of non-controlling interests at the reporting date	40,288,260	7,270,619	3,044,581	5,207,319	5,299,707	3,188,114

2014	Jinmao	Sinofert	Shanghai Yin Hui	Shanghai Xingwaitan	JCIHL	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Percentage of equity interest held by non-controlling interests	36.48%	47.35%	68.24%	68.24%	57.74%	68.24%
Profit/(loss) for the year allocated to non-controlling interests	1,932,000	137,130	381,385	(1,131)	(25,622)	(6,155)
Dividends declared to non-controlling interests	317,501	-	-	-	-	-
Accumulated balances of non-controlling interests at the reporting date	16,661,461	7,919,765	2,740,576	5,170,133	5,254,025	2,688,877

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2015	Jinmao	Sinofert	Shanghai Yin Hui	Shanghai Xingwaitan	JCIHL	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	22,110,309	32,497,743	911,690	-	2,973,963	2,138,998
Total expenses	(17,007,739)	(32,245,755)	(321,530)	(2,200)	(2,431,371)	(1,455,009)
Profit/(loss) for the year	5,102,570	251,988	590,160	(2,200)	542,592	683,989
Total comprehensive income/(loss) for the year	(63,138)	(419,983)	347,063	(444,406)	(249,213)	426,144
Current assets	73,762,517	10,881,659	1,438,141	8,517,717	1,187,588	5,997,753
Non-current assets	85,137,154	22,227,647	4,466,177	11,168	20,564,925	3,296,526
Current liabilities	54,205,676	13,828,623	1,619,273	457,461	5,499,011	4,516,020
Non-current liabilities	45,791,375	3,673,262	187,690	939,435	7,925,234	411,792
Net cash flows from/(used in) operating activities	9,158,900	1,252,440	1,811,404	(661,689)	1,353,825	88,380
Net cash flows used in investing activities	(12,116,767)	(4,862,545)	(1,871,709)	(1,148)	(677,669)	(107)
Net cash flows from/(used in) financing activities	4,163,337	3,820,619	(20,073)	627,326	(934,388)	846,614
Net increase/(decrease) in cash and cash equivalents	1,205,470	210,514	(80,378)	(35,511)	(258,232)	934,887

48. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

2014	Jinmao	Sinofert	Shanghai Yin Hui	Shanghai Xingwaitan	JCIHL	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	29,548,154	35,751,239	1,698,605	-	2,761,146	536
Total expenses	(22,892,556)	(35,580,229)	(1,139,716)	(1,659)	(1,854,037)	(9,556)
Profit/(loss) for the year	6,655,598	171,010	558,889	(1,659)	907,109	(9,020)
Total comprehensive income/(loss) for the year	6,496,073	112,497	550,366	(27,372)	866,579	(22,451)
Current assets	55,658,342	12,423,257	4,385,013	8,616,959	1,362,904	6,861,038
Non-current assets	82,367,426	19,534,186	2,186,208	10,004	21,277,458	1,166
Current liabilities	33,902,907	11,072,696	2,775,912	692,015	5,470,669	2,110,617
Non-current liabilities	47,790,290	3,921,359	-	358,553	8,062,924	811,264
Net cash flows from/(used in) operating activities	(8,596,462)	1,903,343	447,614	(395,680)	2,312,726	(1,634,174)
Net cash flows from/(used in) investing activities	(10,272,675)	948	(5)	(199)	(1,175,455)	(97)
Net cash flows from/(used in) financing activities	16,874,541	(1,778,828)	-	357,196	(1,209,166)	1,585,092
Net increase/(decrease) in cash and cash equivalents	(1,994,596)	125,463	447,609	(38,683)	(71,895)	(49,179)

49. EVENTS AFTER THE REPORTING PERIOD

On 29 January 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of Jinmao, proposed to issue subordinate guaranteed perpetual capital securities in the aggregate principal amount of US$350,000,000 (the "Initial Securities"). The securities confer a right to receive distributions at 6% per annum payable semi-annually in arrears beginning on 4 August 2016.

On 2 February 2016, Franshion Brilliant Limited proposed to issue additional subordinate guaranteed perpetual capital securities on the terms of the Initial Securities, in the aggregate principal amount of US$150,000,000. They are to be consolidated and form a single series with the Initial Securities and to be issued together.

On 4 February 2016, the proposed issue and placing of subordinate guaranteed perpetual capital securities in the aggregate principal amount of US$500,000,000 were completed.

On 28 March 2016, Jinmao exercised the right to acquire non-controlling interests of 49% interests in Franshion Shengrong. A subsidiary of Jinmao entered into the equity transfer agreement with Yunnan Trust, pursuant to which Yunnan Trust has agreed to sell, and Jinmao has agreed to acquire, 49% equity interest in Franshion Shengrong at the consideration of RMB930.75 million (equivalent to HK$1,106,981,000). Upon completion of the transaction, Jinmao will hold 100% equity interest in Franshion Shengrong.

50. COMPARATIVE AMOUNTS

As further explained in note 2.2 to these consolidated financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 April 2016.