恒隆集團有限公司
HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00010)

2015 ANNUAL RESULTS

CONTENTS

FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

	2015	2014	Change
Revenue	**9,528**	17,606	-46%
Property Leasing	**8,330**	7,792	+7%
Property Sales	**1,198**	9,814	-88%
Operating Profit	**6,955**	13,406	-48%
Property Leasing	**6,110**	5,987	+2%
Property Sales	**845**	7,419	-89%
Net Profit Attributable to Shareholders	**3,211**	6,825	-53%
Earnings Per Share (HK$)	**$2.37**	$5.04	-53%
Dividends Per Share (HK$)	**$0.80**	$0.81	-1%
Interim (Paid)	**$0.19**	$0.19	-
Final (Proposed)	**$0.61**	$0.62	-2%

UNDERLYING RESULTS

	2015	2014	Change
Underlying Net Profit Attributable to Shareholders	**2,700**	5,730	-53%
Underlying Earnings Per Share (HK$)	**$1.99**	$4.23	-53%

FINANCIAL POSITION

	At December 31		
	2015	2014	Change
Shareholders' Equity	**75,470**	76,026	-1%
Net Assets	**140,302**	144,696	-3%
(Net Debt) / Net Cash	**(5,848)**	228	N/A
Financial Ratio			
Net Debt to Equity Ratio	**4.2%**	Net Cash	N/A
Debt to Equity Ratio	**26.6%**	27.7%	-1.1 pts
Shareholders' Equity Per Share (HK$)	**$55.7**	$56.1	-1%
Net Assets Per Share (HK$)	**$103.5**	$106.8	-3%

REVIEW OF OPERATIONS

GROUP RESULTS

For the financial year ended December 31, 2015, total revenue of the Group decreased by 46% to HK$9,528 million because of fewer residential units sold compared to a year ago. Correspondingly, total operating profit decreased by 48% to HK$6,955 million. Revenue from property leasing increased by 7% to HK$8,330 million mainly driven by continual growth of mainland China and Hong Kong portfolios.

Underlying net profit attributable to shareholders decreased by 53% to HK$2,700 million. When including a smaller revaluation gain on investment properties against a year ago, net profit attributable to shareholders decreased by 53% to HK$3,211 million. Earnings per share decreased similarly to HK$2.37.

Revenue and Operating Profit

	Revenue			**Operating Profit**		
	2015	2014	Change	**2015**	2014	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**8,330**	7,792	+7%	**6,110**	5,987	+2%
Mainland China	**4,625**	4,354	+6%	**3,005**	3,090	-3%
Hong Kong	**3,705**	3,438	+8%	**3,105**	2,897	+7%
Property Sales	**1,198**	9,814	-88%	**845**	7,419	-89%
Total	**9,528**	17,606	-46%	**6,955**	13,406	-48%

DIVIDENDS

The Board of Directors has recommended a final dividend of HK61 cents per share for 2015 (2014: HK62 cents) to be paid by cash on May 18, 2016, to shareholders whose names appeared on the register of members on May 5, 2016. Together with an interim dividend of HK19 cents per share (2014: HK19 cents), the full year dividends for 2015 amounted to HK80 cents per share (2014: HK81 cents).

PROPERTY LEASING

For the financial year ended December 31, 2015, total revenue of property leasing increased by 7% to HK$8,330 million. The whole mainland China portfolio generated 6% more in rent largely benefitting from contributions of the newly opened properties from the third quarter of 2014. Our mainland China portfolio accounted for 56% and 49% of the total leasing revenue and operating profit of the Group, respectively. The Hong Kong leasing portfolio posted a steady rental growth of 8% as the benefits of asset enhancement initiatives continued to flow through. Total operating profit from property leasing amounted to HK$6,110 million, up 2% year-on-year.

Mainland China

The retail market on the Mainland remained challenging in 2015. With slower economic growth and stock market adjustments since mid-2015, sales of high-end goods continued to slide. Many high-end brands either froze expansion plans or busied themselves with brand consolidation and store downsizing. Negative rental reversions and/or falling occupancy were inevitable.

For the year ended December 31, 2015, total revenue from mainland China reached HK$4,625 million, representing a 6% growth year-on-year. In addition to the rental growth of our Shanghai portfolio, contributions from properties that commenced operations from the third quarter of 2014 also boosted our rental revenue in 2015. Those new properties included shopping malls at Tianjin Riverside 66 which commenced operations in September 2014, followed by the soft opening of Dalian Olympia 66 in December 2015. The office towers at Center 66 in Wuxi and Forum 66 in Shenyang opened in October 2014 and January 2015, respectively. Their contribution to revenue growth was partly offset by the decrease in rental income of the malls at Shenyang Forum 66 and Wuxi Center 66.

Total operating profit of our mainland China portfolio retreated by 3% to HK$3,005 million because of the lower profitability of our newly opened properties during their first lease cycle. Correspondingly, overall rental margin retreated by six points to 65%.

Mainland China Property Leasing Portfolio

Name and City of the Property	Revenue (HK$ Million)			Occupancy Rate at Year End 2015	
	2015	2014	Change	Mall	Office
Shanghai Plaza 66	**1,669**	1,618	+3%	97%	98%
Shanghai Grand Gateway 66	**1,627**	1,595	+2%	97%	97%
Shenyang Palace 66	**170**	166	+2%	90%	N/A
Shenyang Forum 66	**282**	283	-	87%	42%*
Jinan Parc 66	**335**	336	-	88%	N/A
Wuxi Center 66	**296**	293	+1%	72%	70%*
Tianjin Riverside 66	**241**	63	N/A*	86%	N/A
Dalian Olympia 66	**5**	N/A	N/A*	54%	N/A
Total	**4,625**	4,354	+6%		

*Opening dates: Tianjin Riverside 66 shopping mall in September 2014; Wuxi Center 66 office in October 2014; Shenyang Forum 66 office in January 2015; and Dalian Olympia 66 shopping mall on December 18, 2015 (soft opening).

- *Shopping Malls*

Our eight shopping malls in mainland China collectively generated HK$3,287 million rent in 2015, up 6% year-on-year. The eight shopping malls are located in six cities on the Mainland, including two each in Shanghai and Shenyang, and one each in Jinan, Wuxi, Tianjin and Dalian. The last two are the newest. Riverside 66 in Tianjin commenced operation in September 2014 and Olympia 66 in Dalian was unveiled on December 18, 2015.

Amidst a challenging retail environment in Shanghai, total rental income of our two flagship malls in Shanghai, Plaza 66 and Grand Gateway 66, was up 6% year-on-year to HK$2,081 million. Plaza 66 and Grand Gateway 66 posted 9% and 3% rental growth to HK$885 million and HK$1,196 million over a year ago, respectively. The two malls continued to enjoy positive rental reversions in 2015. Their occupancy rates both stayed at 97% at the reporting date. Retail sales of the malls at Plaza 66 and Grand Gateway 66 recorded a moderate growth in 2015, despite sliding high-end sales on the Mainland.

Our asset enhancement programs in Shanghai were progressing well. The works at the Plaza

66 mall started last September and were expected to be completed by mid-2017. For Grand Gateway 66, the works will start in late 2016. In order to minimize disruptions to tenants and customers, the works will be carried out at night and by phases.

At the year-end date, the Group had six malls in operations outside Shanghai. Those malls are in different stages of the startup period, ranging from 14 days to five years old. Their performance was mixed in 2015, the longer they were in operation the better in general. Collectively, the six malls contributed 6% more in rent, year-on-year, to HK$1,206 million.

Palace 66 in Shenyang generated 2% more rent in 2015 as a result of higher occupancy. Occupancy rate of Palace 66 increased two points to 90% between the two reporting dates. Benefitting from more effective marketing activities, retail sales at Palace 66 rose by 2%. During 2015, more non-conventional shopping, entertainment and lifestyle tenants were introduced to our shopping mall in Jinan, Parc 66. Correspondingly, occupancy rate of Parc 66 increased to 88%, up three points over a year ago while tenant sales retreated 2%. Revenue of Parc 66 remained flat in 2015.

In 2015, many high-end brands in the second-tier cities were facing difficult environments with decreasing sales. Some even exited from the market entirely, causing occupancy of our Forum 66 in Shenyang and Center 66 in Wuxi to retreat to 87% and 72%, respectively. Retail sales at the Forum 66 mall and Center 66 mall (excluding car sales) both decreased by 3%.

Occupancy rate of our one-year-old Riverside 66 shopping mall in Tianjin increased by one point to 86% by end of 2015. The mall has recently won the Gold Awards in the categories of “Best Innovative Green Building” and “Best Retail Development” in the MIPIM Asia (Marché International des Professionnels de L’immobilier Asia) Awards 2015.

Our newest mall, Olympia 66 in Dalian, was unveiled on December 18, 2015. This 220,000 square-meter landmark building in Dalian is currently our largest shopping mall in mainland China. The mall is designed to bring fascinating entertainment, leisure and shopping experiences to Dalian with a world-class ice-rink and a cinema with 10 houses, one of the largest auditoriums has 400 seats. Against the backdrop of weak retail spending and with most international brands either contracting or freezing new shop openings on the Mainland, 124 tenants representing occupancy of 21% had commenced operations at the reporting date. Another 83 tenants accounting for additional 33% occupancy are fitting out at the same time. When including committed tenancies, occupancy rate reached 63% at the end of 2015.

- *Office*

Revenue of our office portfolio in mainland China leaped 9% to HK$1,203 million in 2015. The whole office portfolio comprises five Grade A office towers, including three office towers in Shanghai, i.e. two at Plaza 66 and one at Grand Gateway 66, plus one each at Center 66 in Wuxi and Forum 66 in Shenyang which commenced operations in October 2014 and January 2015, respectively.

Total rent of the three office towers in Shanghai retreated 1% amidst an increasing supply of offices space. Revenue of the Plaza 66 office towers retreated by 2% year-on-year because of acceptance of marginally lower rent in order for quantum expansion by world-class tenants. Regular renewals and new lettings were achieving rent at the top range of the market. Occupancy rate of the Plaza 66 office towers increased by six points to 98%. Driven by positive rental reversions, revenue of the office tower at Grand Gateway 66 increased 1% to HK$296 million. Starting from June 2015, we have implemented the asset enhancement program for the two office towers at Plaza 66. The new look of the lobby at Office Tower One was unveiled in December 2015. The whole upgrade program will be completed in phases by 2017.

Occupancy rate of the Center 66 office tower reached 70% and that of Forum 66 was at 42% at the reporting date. Both professionally-managed world-class office towers have already commanded leadership positions in their markets.

- *Residential and Serviced Apartments*

Revenue of residential and serviced apartments at Grand Gateway 66 in Shanghai was down by 7% to HK$135 million due to lower average occupancy, as the local ambience was affected by construction works nearby.

Hong Kong

Revenue and operating profit of our leasing portfolio in Hong Kong were up 8% and 7% to HK$3,705 million and HK$3,105 million, respectively. Overall rental margin stayed at 84%.

Hong Kong Property Leasing Portfolio

	Revenue (HK$ Million)			Occupancy Rate at Year End 2015
	2015	2014	Change	
Commercial	**1,983**	1,842	+8%	98%
Office and Industrial / Offices	**1,261**	1,161	+9%	95%
Residential & Serviced Apartments	**316**	295	+7%	75%
Car Parking	**145**	140	+4%	N/A
Total	**3,705**	3,438	+8%	

- *Commercial*

Our Hong Kong commercial portfolio collected 8% more rent to HK$1,983 million in 2015, despite sliding retail sales in Hong Kong. The commercial portfolio continued to benefit from positive rental reversions in 2015. Occupancy rate was flat at 98% at the end of 2015.

The benefits of asset enhancement continued to flow through as several renovation programs were completed in 2015. The new face of Fashion Walk in Causeway Bay was unveiled in May 2015. The modernized and stylish ambience provides an exceptional shopping experience to shoppers. A new mix of internationally renowned brands and designer labels further strengthened the positioning and image of the name, Fashion Walk. The Food Street has been refreshed with a variety of international cuisines. On October 30, 2015, the long-awaited H&M global flagship store was unveiled at Hang Lung Centre. The innovative marketing campaign "Fashion Intelligence Index" of Fashion Walk won five awards in the 2015 Kam Fan Awards, including the greatest honor "Grand Kam Fan". This is great recognition of our efforts in transforming Fashion Walk into a stylish and iconic destination of Causeway Bay with a unique blend of indoor and outdoor shopping experiences.

The 3-year upgrade program at Grand Plaza in Mongkok was completed in March 2015. The shopping ambience and trade mix of the mall were enhanced after a complete facelift. Gala Place in Mongkok started enhancement works in June 2015. Starbucks opened the largest single floor concept store in Hong Kong in December 2015, delivering unique experiences to coffee lovers. After opening the largest flagship store in Asia at our Hang Lung Centre in Causeway Bay, H&M will open another mega store of 54,000 square-feet at Gala Place in January 2016.

All the asset enhancement initiatives have started to generate extra benefits as planned. The Causeway Bay commercial portfolio achieved a 15% revenue growth despite renovation interruptions during the year. Grand Plaza in Mongkok delivered a 14% growth.

The commercial portfolio in Central recorded an 11% rental growth. Other regional malls such as Amoy Plaza in Kowloon East and Kornhill Plaza in Hong Kong East posted rental growth of 9% and 6%, respectively.

In 2015, Hong Kong experienced a 3% drop in overall retail sales, the first retreat since the Individual Visit Scheme launched in 2003 by the Mainland government. Retail sales of our Hong Kong commercial portfolio, however, posted a sales growth of 7% in 2015 when excluding the areas under renovation. The Causeway Bay portfolio recorded a 12% sales growth against a year ago after its major upgrade. Amoy Plaza gained 9% in retail sales, and that of Grand Plaza and Kornhill Plaza both increased by 6%.

- *Office*

During 2015, the overall Hong Kong office leasing market was pleasing. Many financial institutions from mainland China set up offices in prime locations, e.g. Central, which boosted rent as a result. For the financial year ended December 31, 2015, our entire office portfolio in Hong Kong achieved a 9% rental growth to HK$1,261 million mainly driven by positive rental reversions. Occupancy rate at the year-end was 95%. Our Central office portfolio, comprising the Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House, recorded a solid rental growth of 7% driven by higher rental reversions. Hang Lung Centre in Causeway Bay, featuring a trade-specific theme, achieved a 12% rental growth with occupancy rate up one point to 96% at the end of 2015. The Mongkok portfolio enjoyed an 11% rental growth with occupancy rate stood at 94%.

- *Residential and Serviced Apartments*

Our residential and serviced apartments in Hong Kong recorded steady growth in 2015 with rent growing 7% to HK$316 million. Revenue of our high-end apartments was up 10%. Kornhill Serviced Apartments in Hong Kong East posted a rental growth of 3%.

PROPERTY SALES

During 2015, the Group sold 63 apartments (2014: 412 units) and some car parking spaces. Owing to fewer residential units sold, revenue from property sales decreased 88% to HK$1,198 million. Overall profit margin realized was 71%. The 63 residential units sold consisted of 10 units of The HarbourSide (2014: 261 units), 36 units of The Long Beach (2014: 151 units), and the last 17 units of AquaMarine (2014: Nil).

At the year-end date, the completed residential properties available for sale were 18 semi-detached houses at 23-39 Blue Pool Road, 672 units of The Long Beach, two duplex units of The HarbourSide and two Carmel-on-the-Hill apartments. These properties will be released for sale when market conditions are favorable.

PROPERTY REVALUATION

For the financial year 2015, total revaluation gain of our investment properties portfolio amounted to HK$676 million. The revaluation of our investment properties was undertaken by Savills, an independent valuer. Hong Kong investment properties recorded a revaluation gain of HK$947 million mainly benefitting from significant positive rental reversions of the Causeway Bay and Mongkok commercial portfolios after their renovation. The improved performance of offices in Central also contributed to the gain. The mainland China portfolio had a revaluation loss of HK$271 million mainly due to lower valuation of the malls at Forum 66 in Shenyang and Center 66 in Wuxi. As at December 31, 2015, the value of the investment properties of the Hong Kong portfolio amounted to HK$59,733 million and that of the mainland China portfolio was at HK$77,605 million.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

Following completion of the office tower in Shenyang Forum 66 last January and the soft opening of the Dalian Olympia 66 shopping mall in December 2015, the aggregate value of the Group's investment properties under development decreased by HK$8,902 million to HK$16,709 million against a year ago. Investment properties under development now comprise those in Kunming, Wuhan and the remaining phases of Shenyang and Wuxi in mainland China. The portfolio consists of shopping malls, office towers, and serviced apartments, etc. These projects represented the majority of the Group's capital commitments at the reporting date, amounted to HK$39 billion.

The foundation work for Kunming Spring City 66 is in progress. Total gross floor area of the entire complex is 434,000 square meters comprising a world-class shopping center, a Grade A office tower, serviced apartments and about 2,000 car parking spaces. The shopping mall of Spring City 66 is scheduled to open in late 2018.

Wuhan Heartland 66, covering a total gross floor area of 460,000 square meters, is a world-class commercial project which will house a 177,000 square meters shopping mall, a Grade A office tower, serviced apartments and about 2,400 car parking spaces. This project is scheduled for completion, in phases, from late 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with a high degree of flexibility to meet its capital commitments. It also established multiple channels to raise debt finance in order to seize investment opportunities and/or cushion itself against unforeseeable circumstances.

- *Liquidity Management*

As at December 31, 2015, the Group had cash and bank balances amounting to HK$31,482 million (December 31, 2014: HK$ 40,323 million). About 96% of the liquid funds were held as Renminbi ("RMB") bank deposits which would be used to meet future construction payments in mainland China. The decrease in cash and bank balances was attributable to utilizing internal cash resources for some of the bank loans repayments which was part of our capital structure optimization plan. The currencies of cash and bank balances at the year-end were as follows:

	At December 31, 2015		At December 31, 2014	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
RMB	**30,164**	*95.8%*	35,592	*88.3%*
HKD	**1,306**	*4.2%*	4,721	*11.7%*
USD	**12**	-	10	-
Total cash and bank balances	**31,482**	*100%*	40,323	*100%*

Apart from available liquid funds, the Group had approximately HK$18,115 million of committed undrawn banking facilities at the reporting date and a bond issuance platform under the USD 3 billion Medium Term Note Program. Together with strong recurring cash flows from operations, the Group has a strong capacity to meet future funding needs of both existing projects and new investments when the opportunity arises.

- *Debt Management*

As at December 31, 2015, total borrowings of the Group were HK$37,330 million, lower than last year-end by HK$2,765 million. During the year, proceeds from property sales were used to repay some of the floating rate HKD bank borrowings. To further mitigate our foreign currency exposure, more RMB loans were obtained in mainland China to fund the construction payments of various projects under development.

The Group maintained an appropriate mix of fixed/floating interest rate loans and maturity profile to mitigate interest rate and re-financing risks. The table below shows the proportion of floating rates bank borrowings and fixed rates bonds.

	At December 31, 2015		At December 31, 2014	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Floating rates HKD bank loans	**13,695**	*36.7%*	17,973	*44.8%*
Floating rates RMB bank loans	**11,031**	*29.5%*	9,531	*23.8%*
Fixed rate bonds	**12,604**	*33.8%*	12,591	*31.4%*
Total borrowings	**37,330**	*100%*	40,095	*100%*

The average tenor of the entire loan portfolio of the Group was extended to 3.6 years (2014: 3.4 years).

The maturity profile of the total borrowings as at December 31, 2015, was as follows:

	At December 31, 2015		At December 31, 2014	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**6,640**	*17.8%*	7,937	*19.8%*
After 1 but within 2 years	**2,062**	*5.5%*	6,175	*15.4%*
After 2 but within 5 years	**14,567**	*39.0%*	9,549	*23.8%*
Over 5 years	**14,061**	*37.7%*	16,434	*41.0%*
Total borrowings	**37,330**	*100%*	40,095	*100%*

- *Foreign Exchange Management*

The Group's foreign exchange exposure mainly arises from its operations in mainland China and certain bank deposits denominated in RMB held in and relating to mainland China entities. In addition, the Group had exposure to USD arising from the two USD 500 million bonds issued.

If appropriate, the Group may use derivative financial instruments for controlling or hedging foreign exchange risk exposures. Use of such instruments for speculative purposes is strictly prohibited.

(a) RMB Exposure

The RMB exposure of the Group is mainly derived from two respects. Firstly, the net assets of its mainland subsidiaries which mostly comprise investment properties such as shopping malls, office towers, serviced apartments and projects under development. Secondly, the RMB deposits held in and relating to mainland China entities are primarily for the purpose of settling future construction payments of those projects under development.

In respect of our operations in mainland China, we endeavor to establish an appropriate level of external local borrowings in RMB up to the extent permitted by the prevailing regulations. Given certain of its investments and operations are located in mainland China, the Group will always have exposure represented by the amount of net assets denominated in RMB. For the financial year ended December 31, 2015, the amount of net assets on the Mainland amounted to RMB 63 billion. The re-translation of these net assets to HKD using exchange rate as at the year-end date resulted in a translation loss for the year of HK$4.8 billion recorded in the exchange reserve.

With its continuous expansion on the Mainland, the Group had capital commitments amounted to RMB 33 billion as at December 31, 2015. Those commitments comprised projects under development such as Kunming Spring City 66, Wuhan Heartland 66 and remaining phases of Shenyang Forum 66 and Wuxi Center 66. The Group has established a risk management framework of managing the currency exposure relating to those capital commitments. Taking consideration of various factors such as regulatory constraints on local RMB borrowings, business environment and project development timeline etc, regular reviews have been conducted to assess the level of funding requirements in mainland China.

Out of the total RMB deposits in equivalent to HK$30,164 million, HK$21,926 million was held in Hong Kong. Those RMB deposits held in Hong Kong will match the funding needs of the mainland China development and operations; they accounted for HK$1.3 billion of the re-translation loss during the year recorded in the exchange reserve.

As a result of the continuous update of our business plan and changes in relevant rules and regulations in mainland China, the amount of funds needed in mainland China will change over time. When appropriate, we will make necessary modifications to our currency hedging arrangement accordingly.

(b) USD Exposure

Out of the total amount of HK$12,604 million fixed rate bonds issued, an equivalent of HK$7,751 million was denominated in USD (i.e. US$1,000 million). The related USD foreign exchange exposure was covered by back-to-back cross currency swap contracts. The swap contracts were entered into in order to fix the exchange rate between USD and HKD for future interest payments and principal repayments. Besides the mitigation of foreign currency risk, the swap contracts also enable the Group to benefit from interest savings compared to the coupon rates throughout the remaining tenor of the bonds. But this was only incidental to the primary objective of hedging foreign currency risk. However, accounting rules stipulate that the swap contracts be marked to market value at each reporting date. Any differences in the marked to market valuation between the reporting dates shall be treated as unrealized gain or loss for the period. For the year ended December 31, 2015, the Group's swap contracts had an unrealized fair value loss amounting to HK$101 million. Related valuation gains and losses will be self-correcting at the end of the swap contracts.

- *Gearing Ratios and Interest Cover*

As at December 31, 2015, the Group had a net debt balance of HK$5,848 million (2014: Net cash of HK$ 228 million). The resulting net debt to equity and debt to equity ratios were 4.2% (2014: net cash) and 26.6% (2014: 27.7%), respectively. The interest cover of 2015 was 14 times (2014: 25 times).

- *Charge of Assets*

Assets of the Group were not charged to any third parties as at December 31, 2015.

- *Contingent Liabilities*

The Group did not have any material contingent liabilities as at December 31, 2015.

OUTLOOK

The market conditions on mainland China and Hong Kong will remain very challenging in 2016. The economies of Mainland China and Hong Kong are uncertain amidst expected further interest rate hikes by The Federal Reserve Board of the United States. The restructuring of the retail market will continue in 2016.

The market correction of retail supply posts opportunities to us when we are able to attract retailers with a new idea or product. A “new normal” will emerge for those retailers that have a well thought-out strategy to rebrand and reposition, redesign stores and merchandise, improve in-shop experience and communicate effectively both on and off line. Throughout this process, there will be an increase in shop re-shuffling within our shopping malls, some resulting in positive rental reversions and some negative.

We continue to strengthen the Shanghai Plaza 66 mall with its major upgrade to accommodate a high-end brand refit and a livelier mix. A similar process for Shanghai Grand Gateway 66 will start towards the latter half of 2016. The new Dalian Olympia 66 shopping mall will achieve rental growth throughout 2016. We will continue to work with shop make-overs in Wuxi Centre 66 and Shenyang Forum 66. The balance of our rental growth in mainland China will come from the leasing up of the office towers in Wuxi and Shenyang.

Against decreasing Mainland China visitor arrivals and associated spending, our Hong Kong retail portfolio has fared better than the overall industry due to our asset enhancement and diversity. Our mix, particularly the new content additions in Causeway Bay, Mongkok, Kornhill and Amoy, has a wider appeal than traditional luxury and is expected to experience growth. The demand for office space in Hong Kong remains strong and we have been able to capitalize on all the positive rental reversions. Barring an unforeseeable situation, our Hong Kong properties are expected to continue to deliver a steady performance next year.

We will sell some of the residential units on hand when the residential market conditions are favorable.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2015 (AUDITED)

	Note	**2015 HK$ Million**	2014 HK$ Million
Revenue	*2(a)*	**9,528**	17,606
Direct costs and operating expenses		**(2,573)**	(4,200)
Gross profit		**6,955**	13,406
Other net income	*3*	**53**	73
Administrative expenses		**(728)**	(705)
Operating profit before changes in fair value of investment properties		**6,280**	12,774
Net increase in fair value of investment properties		**676**	1,712
Operating profit after changes in fair value of investment properties		**6,956**	14,486
Interest income		**1,142**	1,090
Finance costs		**(1,147)**	(827)
Net interest (expense) / income	*4*	**(5)**	263
Share of profits of joint ventures		**256**	355
Profit before taxation	*2(a) & 5*	**7,207**	15,104
Taxation	*6(a)*	**(1,216)**	(2,368)
Profit for the year		**5,991**	12,736
Attributable to:			
Shareholders		**3,211**	6,825
Non-controlling interests		**2,780**	5,911
		5,991	12,736
Earnings per share	*8(a)*		
Basic		**HK$2.37**	HK$5.04
Diluted		**HK$2.37**	HK$5.03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015 (AUDITED)

	Note	**2015 HK$ Million**	2014 HK$ Million
Profit for the year		**5,991**	12,736
Other comprehensive income	*6(b)*		
Items that may be reclassified subsequently to profit or loss:			
- Net movement in investment revaluation reserve		**(38)**	16
- Exchange difference arising from translation of overseas subsidiaries		**(6,144)**	(1,021)
Other comprehensive income for the year		**(6,182)**	(1,005)
Total comprehensive income for the year		**(191)**	11,731
Total comprehensive income attributable to:			
Shareholders		**(39)**	6,262
Non-controlling interests		**(152)**	5,469
		(191)	11,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2015 (AUDITED)

	Note	**2015 HK$ Million**	2014 HK$ Million
Non-current assets			
Investment properties	*9*	**137,338**	128,357
Investment properties under development	*9*	**16,709**	25,611
Other property, plant and equipment		**338**	306
Interest in joint ventures		**3,455**	3,300
Other assets		**1,343**	1,438
Deferred tax assets		**19**	23
		159,202	159,035
Current assets			
Cash and deposits with banks		**31,482**	40,323
Trade and other receivables	*10*	**1,170**	1,947
Properties for sale		**3,852**	4,068
		36,504	46,338
Current liabilities			
Bank loans and other borrowings		**6,640**	7,937
Trade and other payables	*11*	**7,353**	8,249
Taxation payable		**577**	1,606
		14,570	17,792
Net current assets		**21,934**	28,546
Total assets less current liabilities		**181,136**	187,581
Non-current liabilities			
Bank loans and other borrowings		**30,690**	32,158
Deferred tax liabilities		**10,144**	10,727
		40,834	42,885
NET ASSETS		**140,302**	144,696
Capital and reserves			
Share capital		**3,893**	3,893
Reserves		**71,577**	72,133
Shareholders' equity		**75,470**	76,026
Non-controlling interests		**64,832**	68,670
TOTAL EQUITY		**140,302**	144,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information relating to the years ended December 31, 2015 and 2014 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended December 31, 2014 to the Registrar of Companies and will deliver the consolidated financial statements for the year ended December 31, 2015 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014 except for the changes stated as below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

1. Basis of preparation (Continued)

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related Party Disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Revenue and segment information

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

The property leasing segment relates to the leasing of the Group's investment properties portfolio in Hong Kong and mainland China, which consists of commercial / mall, office, residential, serviced apartments and carparks. The property sales segment relates to the development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of investment properties are not included in segment profits.

2. Revenue and segment information (Continued)

(a) Revenue and results by segments

	Revenue		Profit before taxation	
	2015	2014	**2015**	2014
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Segment				
Property leasing				
- Mainland China	**4,625**	4,354	**3,005**	3,090
- Hong Kong	**3,705**	3,438	**3,105**	2,897
	8,330	7,792	**6,110**	5,987
Property sales				
- Hong Kong	**1,198**	9,814	**845**	7,419
Segment total	**9,528**	17,606	**6,955**	13,406
Other net income			**53**	73
Administrative expenses (Note)			**(728)**	(705)
Operating profit before changes in fair value of investment properties			**6,280**	12,774
Net increase in fair value of investment properties			**676**	1,712
- Property leasing in Hong Kong			**947**	1,623
- Property leasing in mainland China			**(271)**	89
Net interest (expense) / income			**(5)**	263
- Interest income			**1,142**	1,090
- Finance costs			**(1,147)**	(827)
Share of profits of joint ventures			**256**	355
Profit before taxation			**7,207**	15,104

Note: Administrative expenses included share-based payments of HK$150 million (2014: HK$157 million) representing the amortization of the fair value of options granted to employees over the vesting period and do not involve any cash outflow for the Group.

2. Revenue and segment information (Continued)

(b) Total assets by segments

	Total assets	
	2015	2014
	HK$ Million	HK$ Million
Segment		
Property Leasing		
- Mainland China	**95,189**	96,318
- Hong Kong	**60,344**	58,917
	155,533	155,235
Property sales		
- Hong Kong	**3,874**	5,054
Segment total	**159,407**	160,289
Interest in joint ventures	**3,455**	3,300
Other assets	**1,343**	1,438
Deferred tax assets	**19**	23
Cash and deposits with banks	**31,482**	40,323
Total assets	**195,706**	205,373

3. Other net income

	2015	2014
	HK$ Million	HK$ Million
Gain on disposal of investment properties	**69**	3
Gain on disposal of listed investments	**62**	-
Dividend income from listed investments	**-**	4
Dividend income from unlisted investments	**1**	-
Unrealized loss on remeasurement of derivative financial instruments (Note)	**(101)**	-
Net exchange gain	**22**	64
Others	**-**	2
Other net income	**53**	73

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

4. Net interest (expense) / income

	2015 HK$ Million	2014 HK$ Million
Interest income on bank deposits	**1,142**	1,090
Interest expenses on bank loans and other borrowings	**1,470**	1,464
Other borrowing costs	**121**	129
Total borrowing costs	**1,591**	1,593
Less: Borrowing costs capitalized	**(444)**	(766)
Finance costs	**1,147**	827
Net interest (expense) / income	**(5)**	263

5. Profit before taxation

	2015 HK$ Million	2014 HK$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	**216**	1,802
Staff costs, including employee share-based payments of HK$150 Million (2014: HK$157 million)	**1,395**	1,211
Depreciation	**55**	52

6. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2014: 25%) and China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

	2015	2014
	HK$ Million	HK$ Million
Current tax		
Hong Kong Profit Tax	**467**	1,517
Over-provision in prior years	**(8)**	(33)
	459	1,484
China Income Tax	**743**	762
	1,202	2,246
Deferred tax		
Changes in fair value of investment properties	**(68)**	23
Other origination and reversal of temporary differences	**82**	99
	14	122
Total income tax expenses	**1,216**	2,368

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

7. Dividends

(a) Dividends attributable to the year

	2015	2014
	HK$ Million	HK$ Million
Interim dividend declared and paid of HK19 cents per share (2014: HK19 cents)	**257**	257
Final dividend of HK61 cents per share (2014: HK62 cents) proposed after the end of the reporting period	**827**	840
Total dividends attributable to the year	**1,084**	1,097

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

(b) The final dividend of HK$841 million (calculated based on HK62 cents per share and the total number of issued shares as at the dividend pay-out date) for the year ended December 31, 2014 was approved and paid in the year ended December 31, 2015 (2014: HK$827 million).

8. Earnings per share

(a) The calculation of basic and diluted earnings per share

	2015	2014
	HK$ Million	HK$ Million
Earnings for calculation of basic and diluted earnings per share - net profit attributable to shareholders	**3,211**	6,825

8. Earnings per share (Continued)

(a) The calculation of basic and diluted earnings per share (Continued)

	Number of shares	
	2015	2014
	Million Shares	Million Shares
Weighted average number of shares used in calculating basic earnings per share	**1,355**	1,353
Effect of dilutive potential shares – share options	**2**	5
Weighted average number of shares used in calculating diluted earnings per share	**1,357**	1,358

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

	2015	2014
	HK$ Million	HK$ Million
Net profit attributable to shareholders	**3,211**	6,825
Effect of changes in fair value of investment properties	**(676)**	(1,712)
Effect of corresponding deferred tax	**(68)**	23
Effect of changes in fair value of investment properties of joint ventures	**(96)**	(205)
	(840)	(1,894)
Non-controlling interests	**329**	799
	(511)	(1,095)
Underlying net profit attributable to shareholders	**2,700**	5,730

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

	2015	2014
Basic	**HK$1.99**	HK$4.23
Diluted	**HK$1.99**	HK$4.22

9. Investment properties and investment properties under development

(a) Addition

During the year, additions to investment properties and investment properties under development amounted to HK$5,034 million (2014: HK$6,263 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as at December 31, 2015 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. Trade and other receivables

(a) Included in trade and other receivables, ageing analysis of trade receivables (based on the due date) is as follows:

	2015 **HK$ Million**	2014 HK$ Million
Current and within 1 month	**42**	1,008
1 to 3 months	**8**	8
Over 3 months	**4**	8
Total trade receivables	**54**	1,024

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

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of HK$298 million (2014: HK$317 million).

11. Trade and other payables

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

	2015	2014
	HK$ Million	HK$ Million
Due within 1 month	**2,150**	4,350
Due after 3 months	**583**	565
Total trade creditors	**2,733**	4,915

OTHER INFORMATION

Employees

As at December 31, 2015, the number of employees was 4,788 (comprising 1,274 Hong Kong employees and 3,514 mainland China employees). The total employee costs for the year ended December 31, 2015 amounted to HK$1,395 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable to employees based on individual performance. We regularly review the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group has a share option scheme for the executives and provides professional and high-quality training for all employees.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

Compliance with Corporate Governance Code

During the year, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The annual results for the year ended December 31, 2015, have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

For ascertaining shareholders' right to attend and vote at the Annual General Meeting ("AGM")

Book close dates (both days inclusive)	April 27 to 28, 2016
Latest time to lodge transfers	4:30 pm on April 26, 2016
Record date	April 28, 2016
AGM	April 28, 2016

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 5, 2016
Latest time to lodge transfers	4:30 pm on May 4, 2016
Record date	May 5, 2016
Final dividend payment date	May 18, 2016

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, January 28, 2016

As at the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN and Mr. H.C. HO
Non-Executive Directors: Mr. Gerald L. CHAN, Mr. George K.K. CHANG and Mr. Roy Y.C. CHEN
Independent Non-Executive Directors: Mr. Simon S.O. IP, Prof. L.C. TSUI, Mr. Martin C.K. LIAO and Prof. P.W. LIU

GLOSSARY

Financial Terms

Finance costs: Total of interest expenses on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans & other borrowings, net of unamortized other borrowing costs

Net debt / cash: Total borrowings net of cash and deposits with banks

Net profit attributable to shareholders: Profit for the year (after tax) less amounts attributable to non-controlling interests

Underlying net profit attributable to shareholders: Net profit attributable to shareholders excluded changes in fair value of investment properties net of related deferred tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings per share} = \frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Total debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets per share} = \frac{\text{Net assets}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Operating profit before changes in fair value of investment properties}}{\text{Finance costs before capitalization less interest income}}$$