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**恒隆地產有限公司**  
**HANG LUNG PROPERTIES LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00101)

**2015 ANNUAL RESULTS**

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## FINANCIAL HIGHLIGHTS

*in HK\$ Million (unless otherwise stated)*

### RESULTS

	2015	2014	Change
<b>Revenue</b>	<b>8,948</b>	17,030	-47%
Property Leasing	7,751	7,216	+7%
Property Sales	1,197	9,814	-88%
<b>Operating Profit</b>	<b>6,548</b>	13,008	-50%
Property Leasing	5,704	5,589	+2%
Property Sales	844	7,419	-89%
<b>Net Profit Attributable to Shareholders</b>	<b>5,092</b>	11,704	-56%
<b>Earnings Per Share (HK\$)</b>	<b>\$1.13</b>	\$2.61	-57%
<b>Dividends Per Share (HK\$)</b>	<b>\$0.75</b>	\$0.76	-1%
Interim (Paid)	\$0.17	\$0.17	-
Final (Proposed)	\$0.58	\$0.59	-2%

### UNDERLYING RESULTS

	2015	2014	Change
<b>Underlying Net Profit Attributable to Shareholders</b>	<b>4,387</b>	10,022	-56%
<b>Underlying Earnings Per Share (HK\$)</b>	<b>\$0.98</b>	\$2.24	-56%

### FINANCIAL POSITION

	At December 31		
	2015	2014	Change
<b>Shareholders' Equity</b>	<b>128,989</b>	132,327	-3%
<b>Net Assets</b>	<b>134,892</b>	139,003	-3%
<b>(Net Debt) / Net Cash</b>	<b>(1,482)</b>	4,848	N/A
<b>Financial Ratio</b>			
Net Debt to Equity Ratio	1.1%	Net Cash	N/A
Debt to Equity Ratio	24.3%	25.2%	-0.9 pts
<b>Shareholders' Equity Per Share (HK\$)</b>	<b>\$28.7</b>	\$29.5	-3%
<b>Net Assets Per Share (HK\$)</b>	<b>\$30.0</b>	\$31.0	-3%

## REVIEW OF OPERATIONS

### CONSOLIDATED RESULTS

For the financial year ended December 31, 2015, revenue from property leasing increased by 7% to HK\$7,751 million. With fewer residential units sold during the year, overall revenue of Hang Lung Properties Limited and its subsidiaries (collectively known as “Hang Lung Properties”) decreased by 47% to HK\$8,948 million. Correspondingly, total operating profit dropped by 50% to HK\$6,548 million.

Underlying net profit attributable to shareholders decreased by 56% to HK\$4,387 million. When including a smaller revaluation gain on investment properties, net profit attributable to shareholders decreased by 56% to HK\$5,092 million year-on-year. Earnings per share decreased similarly to HK\$1.13.

#### *Revenue and Operating Profit*

	Revenue			Operating Profit		
	2015	2014	Change	2015	2014	Change
	HK\$ Million	HK\$ Million		HK\$ Million	HK\$ Million	
<b>Property Leasing</b>	<b>7,751</b>	7,216	+7%	<b>5,704</b>	5,589	+2%
Mainland China	<b>4,194</b>	3,916	+7%	<b>2,715</b>	2,800	-3%
Hong Kong	<b>3,557</b>	3,300	+8%	<b>2,989</b>	2,789	+7%
<b>Property Sales</b>	<b>1,197</b>	9,814	-88%	<b>844</b>	7,419	-89%
<b>Total</b>	<b>8,948</b>	17,030	-47%	<b>6,548</b>	13,008	-50%

### DIVIDENDS

The Board of Directors has recommended a final dividend of HK58 cents per share for 2015 (2014: HK59 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 HK17 cents per share (2014: HK17 cents), the full year dividends for 2015 amounted to HK75 cents per share (2014: HK76 cents).

## PROPERTY LEASING

For the financial year ended December 31, 2015, overall revenue and operating profit of property leasing advanced 7% and 2% to HK\$7,751 million and HK\$5,704 million, respectively. Our Hong Kong leasing portfolio posted a steady rental growth of 8% as the benefits of asset enhancement programs continued to flow through. Driven by contributions from various properties which commenced operations from the third quarter of 2014, rental income of our mainland China leasing portfolio rose 7% against a year ago.

### Mainland China

Amidst slower economic growth and sliding high-end goods sales, the retail market on the Mainland continued to experience market correction in 2015. The restructuring included many high-end brands freezing the opening of new shops and downsizing their stores. This inevitably had an adverse impact on the rental reversions and occupancy rates of many shopping malls.

Our mainland China leasing portfolio accounted for 54% and 48% of total property leasing revenue and operating profit of Hang Lung Properties, respectively. For the year ended December 31, 2015, total revenue from mainland China properties increased by 7% to HK\$4,194 million. That included contributions from properties commenced operations from the third quarter of 2014, namely two shopping malls and two office towers. The new shopping malls at Tianjin Riverside 66 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 commenced operation in October 2014 and January 2015, respectively. The decrease in rental income of the malls at Shenyang Forum 66 and Wuxi Center 66 was partly offset by the rental growth of our Shanghai portfolio.

Total operating profit of our mainland China portfolio amounted to HK\$2,715 million, down 3% year-on-year. The newly opened properties during their first lease cycle generated lower profits and diluted the overall profit growth. Correspondingly, overall rental margin retreated by seven points to 65%.

***Mainland China Property Leasing Portfolio***

<b>Name and City of the Property</b>	<b>Revenue</b> (HK\$ Million)			<b>Occupancy Rate</b> <b>at Year End 2015</b>	
	<b>2015</b>	2014	Change	Mall	Office
Shanghai Plaza 66	<b>1,669</b>	1,618	+3%	97%	98%
Shanghai Grand Gateway 66	<b>1,196</b>	1,157	+3%	97%	N/A
Shenyang Palace 66	<b>170</b>	166	+2%	90%	N/A
Shenyang Forum 66	<b>282</b>	283	-	87%	42%*
Jinan Parc 66	<b>335</b>	336	-	88%	N/A
Wuxi Center 66	<b>296</b>	293	+1%	72%	70%*
Tianjin Riverside 66	<b>241</b>	63	N/A*	86%	N/A
Dalian Olympia 66	<b>5</b>	N/A	N/A*	54%	N/A
<b>Total</b>	<b>4,194</b>	3,916	+7%		

\*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 shopping mall portfolio on the Mainland collectively generated HK\$3,287 million in rent in 2015, up 6% against a year ago. The portfolio comprises eight shopping malls which are located in six cities, namely Shanghai, Shenyang, Jinan, Wuxi, Tianjin and Dalian. Revenue of those malls accounted for 78% of total revenue from mainland China.

The two flagship malls in Shanghai, Plaza 66 and Grand Gateway 66, collected 6% more in rent to HK\$2,081 million, attributable to positive rental reversions. Plaza 66 and Grand Gateway 66 posted a year-on-year 9% and 3% rental growth to HK\$885 million and HK\$1,196 million, respectively. Their occupancy rates both stood at 97% at the reporting date. Despite a general contraction in high-end spending, our two malls in Shanghai both recorded a moderate growth in retail sales in 2015.

To further strengthen the leading position of Plaza 66 and Grand Gateway 66 in their respective markets, we have planned to upgrade them over the next few years. The enhancement program of the Plaza 66 mall started in September 2015 and is expected to be completed by mid-2017.

The works will be carried out at night and by phases to minimize the impact on the normal operations of the mall. For Grand Gateway 66, the works will start in late 2016.

The six malls outside Shanghai generated HK\$1,206 million rent in total, up 6% year-on-year. Those properties are relatively new, ranging from 14 days to five years old. Their performance was mixed as they are at different stages of the gestation period.

After passing through two lease cycles, revenue of Palace 66 in Shenyang posted a moderate growth in a challenging economic environment. Occupancy rate of Palace 66 increased two points to 90% between the two reporting dates. Retail sales at Palace 66 recorded a 2% year-on-year growth. During 2015, more non-conventional shopping, entertainment and lifestyle tenants were introduced to our shopping mall in Jinan, Parc 66. As a result, 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.

On the other hand, the malls at Forum 66 in Shenyang and Center 66 in Wuxi were hit by weak retail spending and negative rental reversions. Occupancy rate of Forum 66 and Center 66 dropped to 87% and 72%, respectively, during the course of tenant reshuffling. Retail sales at Forum 66 mall and Center 66 mall (excluding car sales) both retreated 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, had its soft opening 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 facilities including 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 their new shop openings on the Mainland, 124 tenants representing occupancy of 21% had commenced operations at the reporting date. Fitting out works of a further 83 tenants accounting for additional 33% occupancy are in progress. When including committed tenancies, occupancy rate reached 63% at the end of 2015.

● *Office*

Revenue of our office portfolio on the Mainland increased by 12% to HK\$907 million in 2015. The portfolio comprises four Grade A office towers, including two at Plaza 66 in Shanghai, and one each at Center 66 in Wuxi and Forum 66 in Shenyang.

The office towers at Wuxi Center 66 and Shenyang Forum 66 opened in October 2014 and January 2015, respectively. With their superior quality, professional management and excellent location, the office towers at Center 66 and Forum 66 have already commanded leadership positions in both markets. Occupancy rate of Center 66 office tower was at 70% and that of Forum 66 reached 42% at the reporting date.

Revenue of the Plaza 66 office towers decreased 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. The occupancy rate of the Plaza 66 office towers increased by six points to 98% year-on-year. The asset enhancement initiatives of the two towers at Plaza 66 commenced in June 2015. The new look of the lobby at Office Tower One was unveiled just before the year end. The whole upgrade program will be completed in phases by 2017.

## Hong Kong

Revenue and operating profit of our Hong Kong leasing portfolio were up 8% and 7% to HK\$3,557 million and HK\$2,989 million, respectively. Overall rental margin was at 84%.

### *Hong Kong Property Leasing Portfolio*

	Revenue (HK\$ Million)			Occupancy Rate at Year End 2015
	2015	2014	Change	
Commercial	<b>1,972</b>	1,832	+8%	98%
Office and Industrial / Offices	<b>1,140</b>	1,048	+9%	95%
Residential & Serviced Apartments	<b>316</b>	295	+7%	75%
Car Parking	<b>129</b>	125	+3%	N/A
<b>Total</b>	<b>3,557</b>	3,300	+8%	



● *Commercial*

Benefitting from various asset enhancement initiatives and ensuing rent increases, revenue of our Hong Kong commercial portfolio advanced 8% to HK\$1,972 million in 2015, against the backdrop of a 3% year-on-year decrease in overall retail sales in Hong Kong. Occupancy rate was 98% at the year end of 2015.

Various asset enhancement programs have been completed progressively during 2015. The new face of Fashion Walk in Causeway Bay was unveiled in May 2015, housing a new mix of both internationally renowned brands and designer labels. The Food Street has been refreshed with a variety of international cuisines. Together with the grand opening of H&M's global flagship store at Hang Lung Centre on October 30, 2015, Fashion Walk has been transformed into a stylish destination of Causeway Bay with a unique blend of indoor and outdoor shopping experiences.

Grand Plaza in Mongkok completed its enhancement programs in March 2015. The 3-year modernization project brought a brand new look to Grand Plaza, as well as enhanced shopping ambience and trade mix of the mall. The conversion of Gala Place in Mongkok started in June 2015. While upgrade works are continuing, a new concept store of Starbucks opened in December 2015 offering a unique coffee experience. The opening of a new H&M mega store is scheduled in January 2016.

More enhancement programs are planned for other properties in Hong Kong. Those will offer unique shopping experience to our customers and provide an impetus for further rental growth. Our mall at the Peak, The Peak Galleria, is undergoing an upgrade program which will be completed by phases over the next few years.

In terms of revenue growth, the Causeway Bay commercial portfolio advanced 15% despite undergoing renovation during the year. Grand Plaza in Mongkok achieved a 14% rental growth while the commercial portfolio in Central increased 11%. Other regional malls such as Amoy Plaza in Kowloon East and Kornhill Plaza in Hong Kong East recorded rental growth of 9% and 6%, respectively.

Despite sliding retail sales in Hong Kong in 2015, total tenant sales at our malls in Hong Kong recorded a growth of 7%, on a like-for-like basis when excluding the renovation impact. Retail sales of the Causeway Bay portfolio was up 12%. Amoy Plaza gained 9% in retail sales, and that of Grand Plaza and Kornhill Plaza both increased by 6%.

- *Office*

The entire office portfolio in Hong Kong achieved a 9% rental growth to HK\$1,140 million mainly benefitting from positive rental reversions. Occupancy rate as at December 31, 2015, was 95%. There was keen demand for office spaces in the Central district from securities / insurance companies and banks from mainland China. Our Central office portfolio, comprising the Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House, generated an overall 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*

Through the combination of more effective marketing campaigns and pricing strategies, our residential and serviced apartments in Hong Kong collected 7% more in rent to HK\$316 million. The high-end apartments recorded a 10% growth in revenue. Kornhill Serviced Apartments in Hong Kong East posted rental growth of 3%.

## **PROPERTY SALES**

A total of 63 apartments (2014: 412 units) and some car parking spaces were sold during 2015. With fewer apartments sold, property sales revenue was down 88% to HK\$1,197 million. The 63 residential units sold comprised 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). Overall profit margin realized was 71%.

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

Our investment properties portfolio was revalued by Savills, an independent valuer, as at December 31, 2015. A revaluation gain of HK\$631 million was recorded in 2015 compared to a gain of HK\$1,705 million in 2014. Benefitting from a higher valuation of the Causeway Bay and Mongkok commercial portfolio after renovation and significant positive rental reversions of offices in Central, Hong Kong investment properties recorded a revaluation gain of HK\$897 million. The mainland China portfolio had a revaluation loss of HK\$266 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\$57,587 million and that of the mainland China portfolio was at HK\$71,838 million.

## PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

During the year, the Shenyang Forum 66 office tower and the Dalian Olympia 66 shopping mall were transferred from investment properties under development to investment properties upon completion. That represented the majority of the increase in value of investment properties by 8% to HK\$129 billion and the corresponding decrease in investment properties under development.

Investment properties under development comprised a number of projects under construction in mainland China, including projects in Kunming, Wuhan and the remaining phases of Shenyang and Wuxi. They represented the majority of Hang Lung Properties' capital commitments amounting to HK\$39 billion as at December 31, 2015. Those projects comprise shopping malls, office towers, and serviced apartments, etc, with total gross floor area of 2.3 million square meters (including car parks). Upon completion, they will increase the total gross floor area of our portfolio in mainland China to 4.5 million square meters (including car parks).

The foundation work of Kunming Spring City 66 is making 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 Spring City 66 shopping mall is scheduled to open in late 2018.

Wuhan Heartland 66, covering a total gross floor area of 460,000 square meters, is a complex including 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

Hang Lung Properties continued to adopt prudent and comprehensive financial management strategies. It aims to maintain a strong financial position with sufficient liquidity to meet its capital commitments. Multiple channels to raise debt finance have also been established to support long-term expansions.

- *Liquidity Management*

As part of our continuous plan to further optimize the capital structure, some of the bank loans were repaid by utilizing internal cash resources during 2015. As a result, Hang Lung Properties' cash and bank balances decreased by HK\$8,657 million to HK\$31,289 million at the reporting date against a year ago. About 96% of the liquid funds were held as Renminbi ("RMB") bank deposits to meet future construction payments of our Mainland projects under development.

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	<b>30,102</b>	96.2%	35,515	88.9%
HKD	<b>1,181</b>	3.8%	4,425	11.1%
USD	<b>6</b>	-	6	-
Total cash and bank balances	<b>31,289</b>	100%	39,946	100%

Besides liquid funds, Hang Lung Properties had approximately HK\$11,715 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 cash flows from operations, Hang Lung Properties has ample financial capacity to meet future funding needs of both existing projects and new investment when the opportunity arises.

● *Debt Management*

Total borrowings of Hang Lung Properties as at the reporting date were HK\$32,771 million (2014: HK\$35,098 million), lower than last year-end by HK\$2,327 million. During the year, proceeds from property sales were used to repay some of the floating rate HKD bank borrowings. As part of our currency hedging strategy, more RMB loans were raised in mainland China to fund the construction payments of various projects under development.

Hang Lung Properties 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.

	<b>At December 31, 2015</b>		<b>At December 31, 2014</b>	
	<b>HK\$ Million</b>	<i>% of Total</i>	<b>HK\$ Million</b>	<i>% of Total</i>
Floating rates HKD bank loans	<b>9,136</b>	<i>27.9%</i>	12,976	<i>37.0%</i>
Floating rates RMB bank loans	<b>11,031</b>	<i>33.7%</i>	9,531	<i>27.2%</i>
Fixed rate bonds	<b>12,604</b>	<i>38.4%</i>	12,591	<i>35.8%</i>
<b>Total borrowings</b>	<b>32,771</b>	<i>100%</i>	<b>35,098</b>	<i>100%</i>

The average tenor of the entire loan portfolio of Hang Lung Properties was extended to 3.9 years (2014: 3.8 years). The maturity profile of the total borrowings as at December 31, 2015, was as follows:

	<b>At December 31, 2015</b>		<b>At December 31, 2014</b>	
	<b>HK\$ Million</b>	<i>% of Total</i>	<b>HK\$ Million</b>	<i>% of Total</i>
Repayable:				
Within 1 year	<b>4,693</b>	<i>14.3%</i>	5,657	<i>16.1%</i>
After 1 but within 2 years	<b>1,862</b>	<i>5.7%</i>	4,232	<i>12.1%</i>
After 2 but within 5 years	<b>12,155</b>	<i>37.1%</i>	8,768	<i>25.0%</i>
Over 5 years	<b>14,061</b>	<i>42.9%</i>	16,441	<i>46.8%</i>
<b>Total borrowings</b>	<b>32,771</b>	<i>100%</i>	<b>35,098</b>	<i>100%</i>

● *Foreign Exchange Management*

Hang Lung Properties' 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, Hang Lung Properties had exposure to USD arising from the two USD 500 million bonds issued.

If appropriate, Hang Lung Properties 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 Hang Lung Properties 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 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, Hang Lung Properties 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 59 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\$4.4 billion recorded in the exchange reserve.

With its continuous expansion on the Mainland, Hang Lung Properties 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. Hang Lung Properties 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\$30,102 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 Hang Lung Properties 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, Hang Lung Properties' 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, Hang Lung Properties had a net debt balance of HK\$1,482 million (2014: net cash of HK\$4,848 million). Net debt to equity ratio and debt to equity ratio as at December 31, 2015, were 1.1% (2014: net cash) and 24.3% (2014: 25.2%), respectively. The interest cover of 2015 was 16 times (2014: 24 times).

● *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as at December 31, 2015.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as at December 31, 2015.

## OUTLOOK

Mainland China and Hong Kong have been going through a period of market correction in retail supply, rental growth and high-end spending throughout 2015. This correction is expected to continue into 2016. Such a structural rebalancing can be taken as a positive step towards achieving a softer landing, particularly against the backdrop of a series of expected interest rate rises as determined by The Federal Reserve Board of the United States beyond December 15, 2015. Its impact on retail spending is being closely watched.

While the correction has come in the form of department store closures, high-end brand consolidation, store downsizing, rental reduction and early termination in various sectors, the retail industry has in parallel been seeking new market niches and means of consumer appeal. The opportunity arises when we are able to capture retailers with a new idea or product, as well as attracting those that have a well-thought out strategy to rebrand and reposition themselves, redesign their stores and merchandise, improve their in-shop experience and communicate effectively both on and off line.

It is expected our rental growth on the Mainland in 2016 will be mainly driven by the new Dalian Olympia 66 mall and the filling of the remaining vacant office spaces in our new office towers in Wuxi and Shenyang. However, such growth will be partly offset by the adverse impact on the revenue of our two shopping malls in Shanghai due to their major upgrade programs. We started the upgrade program of the Shanghai Plaza 66 mall in September 2015 to accommodate a high-end brand refit and a livelier tenant mix. The same applies for Shanghai Grand Gateway 66 which will start its upgrade in the second half of 2016. We will continue to work with shop make-overs in Wuxi Center 66 and Shenyang Forum 66.



Against a backdrop of decreasing visitor numbers from the Mainland and weak retail spending, our Hong Kong leasing portfolio will continue to enjoy the benefits of asset enhancement initiatives. The benefits will continue to flow through during 2016, in the Causeway Bay and Mongkok portfolios in particular. The demand for office spaces in Hong Kong may remain relatively strong. Therefore, our Hong Kong leasing portfolio may continue to deliver a steady performance in 2016.

We will continue to closely monitor the residential property market in Hong Kong, and will sell some of the residential units on hand when market conditions are favorable.

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

	<i>Note</i>	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Revenue	2(a)	<b>8,948</b>	17,030
Direct costs and operating expenses		<b>(2,400)</b>	(4,022)
Gross profit		<b>6,548</b>	13,008
Other net loss	3	<b>(15)</b>	(2)
Administrative expenses		<b>(655)</b>	(644)
Operating profit before changes in fair value of investment properties		<b>5,878</b>	12,362
Net increase in fair value of investment properties		<b>631</b>	1,705
Operating profit after changes in fair value of investment properties		<b>6,509</b>	14,067
Interest income		<b>1,119</b>	924
Finance costs		<b>(1,041)</b>	(671)
Net interest income	4	<b>78</b>	253
Share of profits of joint ventures		<b>75</b>	75
Profit before taxation	2(a) & 5	<b>6,662</b>	14,395
Taxation	6(a)	<b>(1,117)</b>	(2,242)
<b>Profit for the year</b>		<b>5,545</b>	12,153
Attributable to:			
Shareholders		<b>5,092</b>	11,704
Non-controlling interests		<b>453</b>	449
		<b>5,545</b>	12,153
Earnings per share	8(a)		
Basic		<b>HK\$1.13</b>	HK\$2.61
Diluted		<b>HK\$1.13</b>	HK\$2.61

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

	<i>Note</i>	<b>2015</b> <b>HK\$ Million</b>	2014 HK\$ Million
Profit for the year		<b>5,545</b>	12,153
Other comprehensive income	<i>6(b)</i>		
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of overseas subsidiaries		<u>(5,730)</u>	<u>(794)</u>
<b>Total comprehensive income for the year</b>		<u><b>(185)</b></u>	<u>11,359</u>
Total comprehensive income attributable to:			
Shareholders		<u>(282)</u>	10,929
Non-controlling interests		<u>97</u>	<u>430</u>
		<u><b>(185)</b></u>	<u>11,359</u>

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

	<i>Note</i>	2015 HK\$ Million	2014 HK\$ Million
<b>Non-current assets</b>			
Investment properties	9	129,425	120,137
Investment properties under development	9	16,709	25,611
Other property, plant and equipment		336	300
Interest in joint ventures		1,241	1,205
Other assets		4	6
Deferred tax assets		11	12
		<u>147,726</u>	<u>147,271</u>
<b>Current assets</b>			
Cash and deposits with banks		31,289	39,946
Trade and other receivables	10	1,173	1,916
Properties for sale		3,830	4,046
		<u>36,292</u>	<u>45,908</u>
<b>Current liabilities</b>			
Bank loans and other borrowings		4,693	5,657
Trade and other payables	11	6,806	7,906
Taxation payable		501	1,581
		<u>12,000</u>	<u>15,144</u>
<b>Net current assets</b>		<u>24,292</u>	<u>30,764</u>
<b>Total assets less current liabilities</b>		<u>172,018</u>	<u>178,035</u>
<b>Non-current liabilities</b>			
Bank loans and other borrowings		28,078	29,441
Deferred tax liabilities		9,048	9,591
		<u>37,126</u>	<u>39,032</u>
<b>NET ASSETS</b>		<u>134,892</u>	<u>139,003</u>
<b>Capital and reserves</b>			
Share capital		39,903	39,663
Reserves		89,086	92,664
Shareholders' equity		<u>128,989</u>	<u>132,327</u>
Non-controlling interests		5,903	6,676
<b>TOTAL EQUITY</b>		<u>134,892</u>	<u>139,003</u>

## 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 car parks. 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 is not included in segment profits.

**2. Revenue and segment information (Continued)**

## (a) Revenue and results by segments

<u>Segment</u>	<u>Revenue</u>		<u>Profit before taxation</u>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million	<b>HK\$ Million</b>	HK\$ Million
Property leasing				
- Mainland China	<b>4,194</b>	3,916	<b>2,715</b>	2,800
- Hong Kong	<b>3,557</b>	3,300	<b>2,989</b>	2,789
	<b>7,751</b>	7,216	<b>5,704</b>	5,589
Property sales				
- Hong Kong	<b>1,197</b>	9,814	<b>844</b>	7,419
Segment total	<b>8,948</b>	17,030	<b>6,548</b>	13,008
Other net loss			<b>(15)</b>	(2)
Administrative expenses (Note)			<b>(655)</b>	(644)
Operating profit before changes in fair value of investment properties			<b>5,878</b>	12,362
Net increase in fair value of investment properties			<b>631</b>	1,705
- Property leasing in Hong Kong			<b>897</b>	1,595
- Property leasing in mainland China			<b>(266)</b>	110
Net interest income			<b>78</b>	253
- Interest income			<b>1,119</b>	924
- Finance costs			<b>(1,041)</b>	(671)
Share of profits of joint ventures			<b>75</b>	75
Profit before taxation			<b>6,662</b>	14,395

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

	<b>Total assets</b>	
	<b>2015</b>	2014
<b><u>Segment</u></b>	<b>HK\$ Million</b>	HK\$ Million
Property Leasing		
- Mainland China	<b>89,419</b>	90,161
- Hong Kong	<b>58,202</b>	56,818
	<b>147,621</b>	146,979
Property sales		
- Hong Kong	<b>3,852</b>	5,031
Segment total	<b>151,473</b>	152,010
Interest in joint ventures	<b>1,241</b>	1,205
Other assets	<b>4</b>	6
Deferred tax assets	<b>11</b>	12
Cash and deposits with banks	<b>31,289</b>	39,946
Total assets	<b>184,018</b>	193,179

**3. Other net loss**

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Gain on disposal of investment properties	<b>69</b>	3
Unrealized loss on remeasurement of derivative financial instruments (Note)	<b>(101)</b>	-
Net exchange gain / (loss)	<b>17</b>	(5)
Other net loss	<b>(15)</b>	(2)

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 income**

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Interest income on bank deposits	<u>1,119</u>	<u>924</u>
Interest expenses on bank loans and other borrowings	<b>1,398</b>	1,337
Other borrowing costs	<u>87</u>	<u>100</u>
Total borrowing costs	<b>1,485</b>	1,437
Less: Borrowing costs capitalized	<u>(444)</u>	<u>(766)</u>
Finance costs	<u>1,041</u>	<u>671</u>
Net interest income	<u><u>78</u></u>	<u><u>253</u></u>

**5. Profit before taxation**

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	<b>216</b>	1,802
Staff costs, including employee share-based payments of HK\$150 million (2014: HK\$157 million)	<b>1,323</b>	1,158
Depreciation	<u><u>51</u></u>	<u><u>49</u></u>

**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.

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Current tax		
Hong Kong Profit Tax	<b>459</b>	1,498
Over-provision in prior years	<b>(7)</b>	(31)
	<u><b>452</b></u>	<u>1,467</u>
China Income Tax	<b>674</b>	679
	<u><b>1,126</b></u>	<u>2,146</u>
Deferred tax		
Changes in fair value of investment properties	<b>(67)</b>	28
Other origination and reversal of temporary differences	<b>58</b>	68
	<u><b>(9)</b></u>	<u>96</u>
Total income tax expenses	<u><b>1,117</b></u>	<u>2,242</u>

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

**7. Dividends**

## (a) Dividends attributable to the year

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Interim dividend declared and paid of HK17 cents per share (2014: HK17 cents)	<b>765</b>	763
Final dividend of HK58 cents per share (2014: HK59 cents) proposed after the end of the reporting period	<b>2,608</b>	2,646
Total dividends attributable to the year	<b><u>3,373</u></b>	<u>3,409</u>

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\$2,646 million (calculated based on HK59 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\$2,601 million).

**8. Earnings per share**

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

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Earnings for calculation of basic and diluted earnings per share		
- net profit attributable to shareholders	<b><u>5,092</u></b>	<u>11,704</u>

**8. Earnings per share (Continued)**

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

	<b>Number of shares</b>	
	<b>2015</b>	2014
	<b>Million Shares</b>	Million Shares
Weighted average number of shares used in calculating basic earnings per share	<b>4,489</b>	4,483
Effect of dilutive potential shares – share options	<b>2</b>	3
Weighted average number of shares used in calculating diluted earnings per share	<b>4,491</b>	4,486

(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:

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Net profit attributable to shareholders	<b>5,092</b>	11,704
Effect of changes in fair value of investment properties	<b>(631)</b>	(1,705)
Effect of corresponding deferred tax	<b>(67)</b>	28
Effect of changes in fair value of investment properties of joint ventures	<b>(16)</b>	(25)
	<b>(714)</b>	(1,702)
Non-controlling interests	<b>9</b>	20
	<b>(705)</b>	(1,682)
Underlying net profit attributable to shareholders	<b>4,387</b>	10,022

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

	<b>2015</b>	2014
Basic	<b>HK\$0.98</b>	HK\$2.24
Diluted	<b>HK\$0.98</b>	HK\$2.23

## 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\$5,027 million (2014: HK\$6,260 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:

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Current and within 1 month	<b>41</b>	1,007
1 to 3 months	<b>8</b>	7
Over 3 months	<b>4</b>	8
Total trade receivables	<b>53</b>	1,022

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:

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Due within 1 month	<b>2,094</b>	4,297
Due after 3 months	<b>582</b>	565
Total trade creditors	<b>2,676</b>	4,862

## **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\$1,323 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 Company has share option schemes 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. Hang Lung Properties' 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

*Independent Non-Executive Directors:* Mr. Ronald J. ARCULLI, Prof. P.W. LIU, Mr. Dominic C.F. HO,

Mr. Nelson W.L. YUEN, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG



## 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

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

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

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

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

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