



HONING **OUR EDGE**

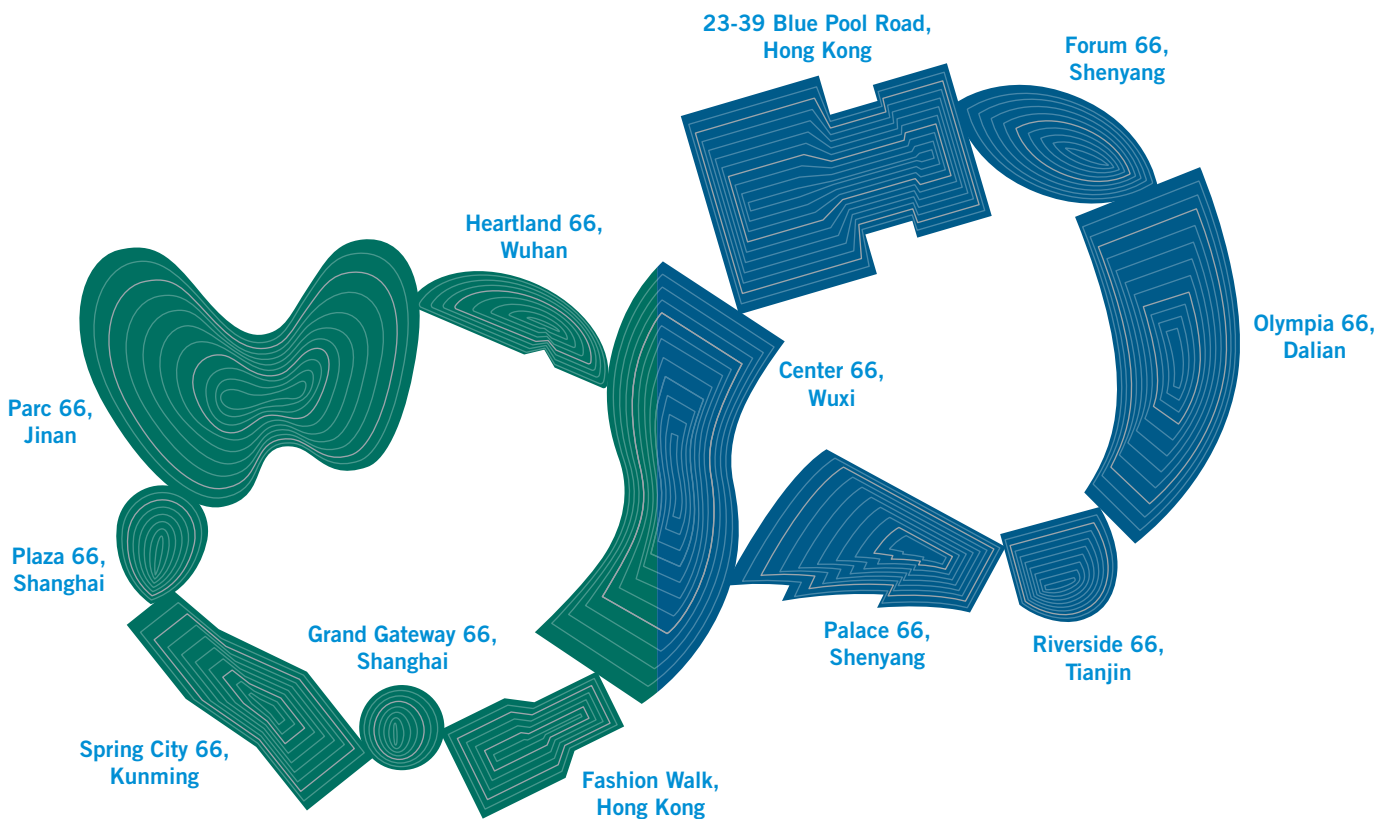
2015 Annual Report



恒 隆 地 產
HANG LUNG PROPERTIES

HANG LUNG PROPERTIES LIMITED
STOCK CODE: 00101

DESIGN CONCEPT



The 2015 Annual Report of Hang Lung Properties Limited (stock code: 00101) themed Honing Our Edge adopts a twin-cover design approach integrating with the Hang Lung Group Limited (stock code: 00010) Annual Report.

The covers showcase 12 aerial overviews of Hang Lung's world-class properties across mainland China and Hong Kong, which are testaments to the Company's design innovation. The debossed contour lines connote the strength

and competitive edge built upon solid foundations, for which the Hung Lung brand stands. And together, the shapes form an infinity symbol ∞ to express the boundless creativity and innovation that have contributed to our business.

The five main sections in the annual reports are represented by images of an arrow, a light bulb, a block, a heart and a star, respectively, signifying the Company's emphasis on factors that promote excellence, namely **insightful vision**, **innovative ideas**, **solid foundations**, **sincerity to sustainability** and **star management**.



insightful
vision



innovative
ideas



solid
foundations



sincerity to
sustainability



star
management

2 WE DO IT RIGHT

We Do It Right is a business philosophy that extends beyond our core business and embraces the initiatives we undertake on behalf of our staff, the community and the environment. We believe this is fundamental to our success and helps us win the trust of our stakeholders.

In this annual report we describe the progress we have made during the year, using meaningful metaphors to signify our efforts to create unmatched value for our cherished shareholders, tenants and customers.

As Hang Lung's business continues to grow, we will continue to maintain our high standards in order to become a highly admired national commercial property developer in Hong Kong and mainland China.

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CORPORATE PROFILE

Hang Lung Properties Limited (stock code: 00101) is the property arm of Hang Lung Group Limited (stock code: 00010).

We are a top-tier property developer in Hong Kong and on the Mainland with a recognized commitment to quality.

We are a truly diversified property developer with a varied portfolio of mall/commercial, office, residential, serviced apartments, industrial/office and car park properties.

Our primary focus is to acquire the best sites in the cities with growth potential and employ only the top architectural firms to achieve the highest design quality and develop the best properties.

In Hong Kong and on the Mainland, our corporate strategy is to constantly review and, where necessary, upgrade our tenant mix and enhance our existing developments so as to achieve a maximum return on our investments. We also emphasize value-added services and incentives, which add to the appeal and marketability of our properties.

Our long-term vision is to expand on the Mainland while continuing to invest in our home market of Hong Kong. As our business will certainly continue to grow, we are set to develop into a highly admired national commercial property developer.

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4 FINANCIAL HIGHLIGHTS

RESULTS

For the year ended December 31

in HK\$ Million (unless otherwise stated)	2015	2014
Revenue		
Property leasing	7,751	7,216
Mainland China	4,194	3,916
Hong Kong	3,557	3,300
Property sales	1,197	9,814
Total revenue	8,948	17,030
Net profit attributable to shareholders	5,092	11,704
Dividends	3,373	3,409
Shareholders' equity	128,989	132,327
Per share data		
Earnings	\$1.13	\$2.61
Dividends		
Total	\$0.75	\$0.76
Interim	\$0.17	\$0.17
Final	\$0.58	\$0.59
Shareholders' equity	\$28.7	\$29.5
Net assets	\$30.0	\$31.0
Financial ratio		
Payout ratio	66%	29%
Net debt to equity ratio	1.1%	Net cash
Debt to equity ratio	24.3%	25.2%

UNDERLYING RESULTS

For the year ended December 31

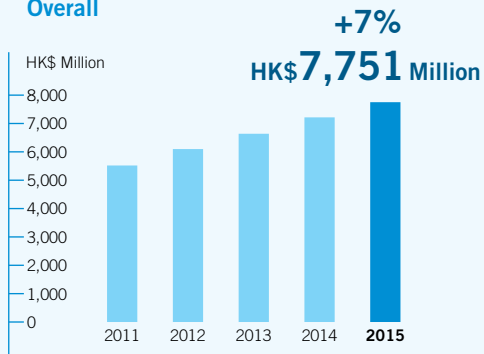
in HK\$ Million (unless otherwise stated)	2015	2014
Underlying net profit attributable to shareholders	4,387	10,022
Earnings per share ^(Note 1)	\$0.98	\$2.24
Payout ratio ^(Note 1)	77%	34%

Note:

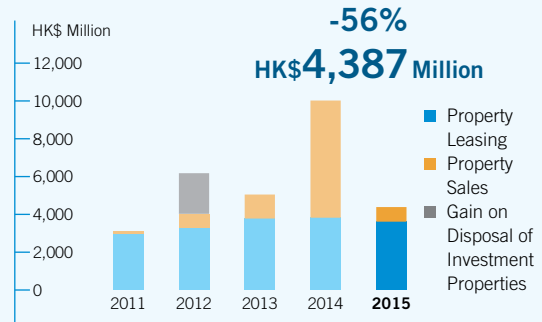
1. The relevant calculations are based on the underlying net profit attributable to shareholders.

Rental Revenue

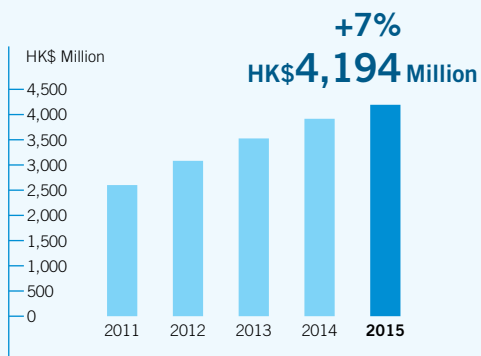
Overall



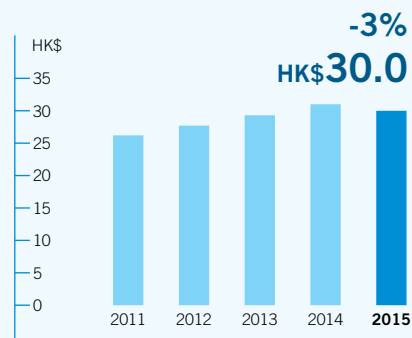
Underlying Net Profit



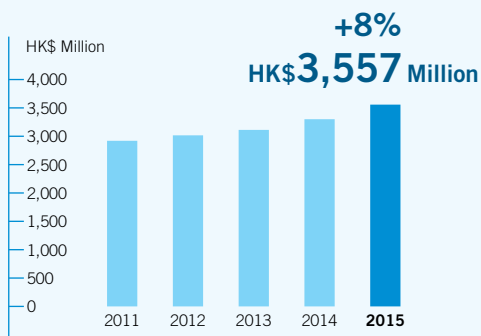
Mainland China



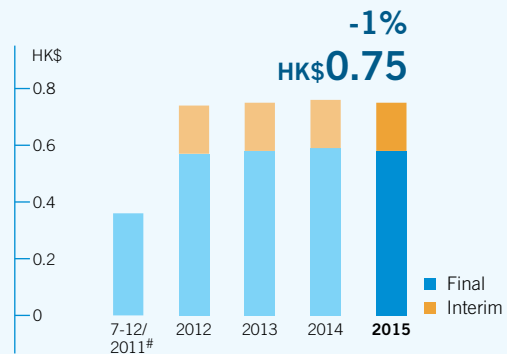
Net Assets per Share



Hong Kong



Dividends per Share



[#] Final dividend for the six-month financial period from July 1, 2011 to December 31, 2011

6 2015 HIGHLIGHTS

JAN

Opening of Forum 66 Office Tower in Shenyang



Gold Award in the Asset Corporate Awards for the third straight year

Riverside 66: Certification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level from the U.S. Green Building Council

MAR

Honors Award in the category of Magazines – Overall Presentation: Employee/Staff, Silver Award in the category of Websites/Emerging Media – Redesign/Relaunch/Media and Honors Award in the category of Annual Reports – Overall Presentation: Property Development in the 2014/15 Mercury Awards



Center 66 Phase 1 Office Tower: Certification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level from the U.S. Green Building Council

APR

Five honors at the 5th Asian Excellence Recognition Award 2015 organized by Corporate Governance Asia



The Peak Galleria: Gold rating of Final Assessment under the BEAM Plus Version 1.1 (Existing Building) issued by the Hong Kong Green Building Council

Silver Award in the category of Annual Reports – Corporate – Traditional: Dual Language Reports of the prestigious ASTRID Awards 2015

MAY

Mr. Ronnie C. Chan: Best IR by Chairman/CEO – Large Cap awards in the HKIRA 1st Investor Relations Awards organized by the Hong Kong Investor Relations Association



23-39 Blue Pool Road: Residential Architect of the Year (Hong Kong) in the Chivas 18 Architecture Awards 2015

JUN

The corporate social responsibility program, Hang Lung Green LEEDers, was awarded the Asia Responsible Entrepreneurship Awards 2015 under the Green Leadership Category by Enterprise Asia

Four awards at the International Customer Relationship Excellence Awards 2014 in the category of Property Management, by the Asia Pacific Customer Service Consortium



JUL

Riverside 66: The International Architecture Award 2015 presented by The Chicago Athenaeum: Museum of Architecture and Design and The European Center for Architecture Art Design and Urban Studies

Fashion Walk: The Halloween Styloveen – Be Sinfully Stylish program won the Gold Award under the Best Event category of the Spark Awards 2015



AUG

10 accolades at the 6th Asia Best Employer Brand Awards 2015 and Asia's Training & Development Excellence Awards 2015. Among the honors, Hang Lung is named one of Asia's Best Employer Brand companies



SEP

Heartland 66: 2015 Cityscape Awards for Emerging Markets in the category of Mixed Used Project (Future)



Championship in the Commercial Property category in the 2015 Top 50 Green Chinese Property Developer Awards

OCT

Hang Lung Group FY 2014 Annual Report won Bronze Award in the internationally renowned Galaxy Awards 2015 in the category of Annual Reports – Print: Real Estate Holding Co.

NOV

The Emerald Awards Campaign achieved the Platinum Awards in Multiple/ Mixed Formats: Multi-Format Communication Materials, and the 2014 Sustainability Report won the Silver Award in Print: Sustainability Report, in the 2015 Spotlight Awards



DEC

Soft opening of Olympia 66 in Dalian



Fashion Walk: The Fashion Intelligence Index won five honors in the 2015 Kam Fan Awards including the most coveted accolade of all, the Grand Kam Fan award



Riverside 66: Gold Awards in the categories of Best Innovative Green Building and Best Retail Development in the MIPIM Asia Awards 2015

Sustainability Excellence Award of the Hong Kong Corporate Governance Excellence Awards 2015 from the Chamber of Hong Kong Listed Companies



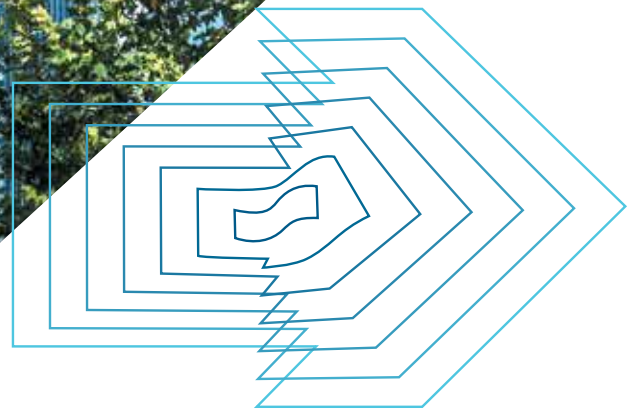
Fashion Walk,
Hong Kong



Olympia 66,
Dalian



Plaza 66,
Shanghai



Insightful Vision

Upholding our business philosophy, We Do It Right, Hang Lung looks ahead in all of our areas of business. From market timing, location choice, architectural design, to daily operations and talent development, our pledge of excellence is to act with foresight to develop the Company into a highly admired national commercial developer in China.



¹⁰ CHAIRMAN'S LETTER TO SHAREHOLDERS



Ronnie C. Chan
Chairman

RESULTS AND DIVIDEND

For the year ended December 31, 2015, turnover decreased 47% to HK\$8,948 million as much fewer residential units were sold. With very limited amount of property revaluation gain, net profit attributable to shareholders retreated 56% to HK\$5,092 million. Earnings per share fell similarly to HK\$1.13.

Underlying net profit attributable to shareholders was down 56% to HK\$4,387 million when excluding revaluation gain and related deferred taxes and non-controlling interests. Underlying earnings per share decreased correspondingly to HK98 cents.

The Board recommends a final dividend of HK58 cents per share payable on May 18, 2016 to shareholders of record on May 5, 2016. If approved by shareholders, total dividends per share will be HK75 cents for the year ended December 31, 2015.

BUSINESS REVIEW

For the past quarter century, I have personally penned this letter twice a year to shareholders. Beginning 15 years ago, I decided to go beyond the standard reporting of facts as previously practiced. Rather, the Chairman's Letter should be an appropriate platform to communicate with our shareholders and the market at large the views of the management on the economy, our industry, and our strategy. As much as possible, we should be transparent.

In the past few years, instead of a very long year-end letter and a much shorter mid-year one, I have beefed up the latter. This way, readers receive more timely information from management every six months. I trust this is well received by shareholders.

To our surprise, my last interim report, the longest that I have written at mid-year, went viral on the Mainland Internet as soon as it was released. The reason was unclear to me as it has always been my practice to comment on the Chinese economy. Naturally my views cannot be correct all the time but at least they were always honest, be they optimistic or pessimistic. Besides, I like to point out that my letters are primarily for our shareholders and potential shareholders and not the general public. We never lose sight of that.

What bears repeating here is the difference between the two letters respectively for this Company and for our parent Hang Lung Group (HLGL). Long-term readers of both should realize that for Hang Lung Properties, I devote more time to discussing the overall economy and our strategy. Analyses of the real estate industry of both Hong Kong and the Mainland are usually covered in the other letter.

This I again did six months ago. Whereas what I wrote here received much attention, the industry review in the other letter did not. Of late I happen to hold views on both Hong Kong and the Mainland's residential markets which are not shared by most in the market. Since they are important to our business, I will repeat some of them here. My opinion in this regard has not changed in the past six months.

This brings me to another point regarding this letter. When there are particularly critical developments in the economy, in our industry or our Company, more emphasis will of course be given to them. Beyond that, as much as possible, my practice is to pick an important aspect of the Company and give an in-depth review at year-end. Topics covered in recent years included corporate governance, sustainability, human resources and corporate culture.

In these areas, I have so far avoided repeating what have previously been covered. This is certainly my preference. However, new or potential shareholders may be unaware of these discussions. One way is to refer them to my former letters, which are available online. Nevertheless, management thinking progresses over time and it may be worthwhile to revisit some of these issues every so often.

Now let me turn to the year under review. When I first wrote in July 2012 that China was in for a prolonged economic winter, few were convinced like me. The same was true even as late as my last interim letter six months ago. Now I doubt if anyone will hold a contrary



view, for things have gone from bad to worse. Will China recover? My answer is a most definite yes. However, given the structural causes of the downturn and how intransigent they are, recovery will be slow.

The crux of China's present economic challenge is the need to reform many of its systems. This is an evolutionary and not a revolutionary process, for reform has been ongoing for some 30 years. Just look at the country over that period and one cannot but marvel at the structural changes that had taken place. Nevertheless, Beijing is very aware of the need for further reform, but there are constraints. Spurred by necessity, nothing will focus the minds of top leaders more than urgent if not existential threats.

In this regard, I find proposals by certain Western pundits amusing. Whereas many of their diagnoses are correct, their prescriptions are often unrealistic. Some of them think that Chinese leaders are deaf or dumb, but these pundits are unaware of the internal difficulties confronting Beijing. Nothing is more certain than the fact that the country is more complicated than anyone can comprehend, and no one has ever faced such challenges in such a big country. One can only hope that officials are wise enough to adapt the needed reform policies to local situations.

To be sure, success in reform in the short run is by no means assured. But as is always the case in China and as Mr. Deng Xiaoping said some 30 years ago, the country will "cross the river by feeling the stones." To think that there is a silver bullet is frankly naive. What can be done is to draw on international as well as domestic experiences of the past 30 years and chart a course which will yield a higher probability of success.

Beijing will continue to use public investments to spur the economy, but there are serious limits. After years of fast growth, the economic base is much larger now such that the same amount of investment input will produce a smaller percentage of increase. Government debt is now higher than before, thus rendering massive new investments more difficult. Public-private partnership may be one way to go.

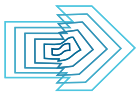
In some areas, infrastructure developments are already plentiful if not overbuilt. Nevertheless, there are still other projects which are sorely needed. For example, subway developments in many cities have been announced recently. Investments to improve the environment from air to water to soil will be good for both the short- and the long-term. Frankly the government will have to use all there is within its power to stimulate the economy.

In a recent conference session that I chaired in Hong Kong and was attended by some 2,800 people from around the world, all the speakers from both inside and outside of the Chinese government agreed that the best hope to lift the economy is to stimulate private consumption. I expect more policy initiatives in this regard. It was said that the stock market stimulation several months ago by the government was one such effort. The hope was presumably to create a wealth effect and so spur consumption. It was a wrong thing to do and it backfired. But it does not mean that there are no other ways to get the job done.

Room for increasing private consumption is considerable, and continued urbanization is but one way to achieve this. As a percentage of GDP, China's private consumption is much smaller than that of the United States. On the other hand, China's GDP growth is three times faster and salary growth is even more. Unlike developed economies such as North America, Europe and Japan where the size of the middle class is rather stable, China's middle class is expanding quickly. Whereas many in those countries already have basically all they need, the same cannot be said for China. For certain goods, the Chinese prefer to purchase overseas, hence to bring part of that market onshore will boost retail sales. The service sector is particularly underdeveloped and we expect to see explosive growth especially in first- and second-tier cities. That market is almost limitless.

Moreover, as everyone knows, Chinese people are compulsive savers. Policies can be introduced which will help turn some of the personal savings into consumption dollars. To be sure, the Chinese should not pick up the bad habits of the West – overspending and result in high personal debt. But neither should they remain at the other extreme. A sensible middle point should be found. Given structural problems in the society, from an unreasonable healthcare regime to an inadequate educational system, and from the lack of social security to the lack of personal credits, overspending by individuals is frankly unlikely for now.

Whatever the case, it seems certain that as reform progresses, no matter how slow it may be, a higher percentage of disposable income will go towards consumption. After all, as a result of 30 years of rapid economic development, many Mainland citizens have accumulated considerable wealth. A case in point: in one of our shopping centers in a second-tier city, a car dealer of expensive European brands is said to have sold over 200 units last year. Wealth is not an issue; Chinese city dwellers now accounting for about 54% of the population just need a little encouragement to spend.



Given today's terrible market conditions, it seems out of place to speak of anything but bad news. But objectively speaking, there are many positive societal developments which bode well for the economy. Some of them are of a short-term while others are of a long-term horizon. One of them is that the housing markets in the most important second-tier cities are by and large quite healthy. I will return to this point later.

Even without government encouragement, entrepreneurship especially in the high-tech sector is alive and well. As recent history shows, technology can create jobs and not just destroy them. During the "robber baron" days in the United States a century ago when regulations were lax, many businesses flourished, thus creating employment and raising the standard of living. Fortunately, its social culture, unlike that of Europe, ensures the enterprising spirit continues.

In China, such a spirit is alive and well. Its "robber baron" days might have been moderated as regulations are introduced, but they are far from being over. Compared to their predecessors, today's entrepreneurs are younger, better educated and more worldly. They are as sophisticated as I have seen anywhere in the world, and their learning curve is as steep as any. They travel the world and learn from the best. Herd instinct ensures that competition at home is severe, which will only lift the standard for all. It is an exciting scene to behold.

The legal environment is slowly improving, yet due to the size of the country, business opportunities remain plentiful. Like everywhere else, many startups will fail but a good number will not only survive but, to different degrees, thrive. Some will have international ambitions; there will be many more "Alibabas" to come. They will in time contribute greatly to the next phase of China's economic growth.

There are other positive factors. As a net energy importer, significantly lower oil price can only be favorable to China. The "One Belt, One Road" or "Belt and Road" initiative should also in time bear fruit. A drag to the present Chinese economy is the oversupply and overcapacity of many commodities like cement and steel. Infrastructural projects in the new Silk Road will digest some of the excesses. This should help position the country for the next phase of growth.

There are far more critical geo-economic and geo-political reasons to initiate the transcontinental effort. One is to secure long-term supply of energy and other natural resources. It also opens new markets for the country's massive manufacturing apparatus.

As I had written six months ago, frankly the new Silk Road is inevitable. It is a natural extension of globalization which started some 2,000 years ago in exactly the same place:

the original Silk Road. Yet today it is arguably the least globalized part of the world – between Western China and Eastern Europe. It matters little who raised the issue today. It merely completes a human experiment of two millennia which historically has brought prosperity to its participants. So no matter how one looks at Belt and Road, it seems that the upside outweighs the downside. This is true for China and for all other participants.

When history is written, all the geo-economic and even geo-political considerations will have retreated to the background. What may be remembered are two aspects: the embracing of the last bit of humanity into the globalized world, as well as the enrichment of cultures when different people interact. In the end, it may well be culture for which the Belt and Road initiative will be best remembered. This was certainly the case with the old Silk Road.

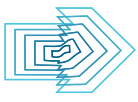
While enumerating some of the recent positive developments, let no one underestimate the immediate difficulties facing the economy. The global economy, with the exception of the United States, is not encouraging. Demand for Chinese goods is not as strong as before. Currency devaluation by many competitors will make China's exports more challenging.

More troubling however are domestic issues. While the anti-corruption campaign is necessary and is supported by the general populace, it has also crippled the government. Officials simply stop making decisions which is the safest posture to take – when you do nothing, no one can accuse you of corruption. As a result, the already slow economy will stall further. Equally troubling are legacy issues which I will address later.

Regarding the likely future of China's economy, let me first jump to the conclusion and then explain the reasons for it. My best guess is that it will muddle through for the next several years. Beijing leaders should have the tools to prevent a drastic fall, but its policy options to stimulate the economy are becoming limited. It is not easy to find a quick fix.

China began its long march to reform in 1978. The most dangerous period was before 1993 when the old ideology had to be overturned. Failure to do so would have scuttled the entire reform crafted by the then supreme leader Mr. Deng Xiaoping. It almost happened after the debacle of 1989, but Mr. Deng single-handedly rescued it.

Since the early 1990's, the economy has seen many ups and downs. There was no roadmap anywhere that leaders could follow. Laws were antiquated or outright missing; rules and regulations that were common in other countries were never seen before in China. Those were truly difficult years, but in my opinion not as precarious as the 1980's when ingrained ideology had to be radically altered.



When the new millennium arrived, China began a prolonged period of crisp rise. Just as the Asian Financial Crisis that began in 1997 did not hurt China, the country was also spared from serious trouble during the Global Great Recession of 2008-2009. The reason that China was spared from the earlier incident was that back then its economy was not that integrated with its neighbors. The more recent case was due to China's decisive actions. Nevertheless, a number of mostly international experts did point out that besides structural deficiencies, government actions taken to avert disaster in 2008 also sowed the seeds of economic problems. However, at the time they were considered manageable, and Beijing seemed capable of resolving most if not all difficulties.

Subsequent events showed that the cumulative side effects of less-than-ideal policies began to surface a few years ago. What China is facing today is a direct consequence of the excesses of the go-go years of the 2000's and of medicines taken in 2008. The problems were years in the making and it will take years to correct them.

Whereas it seemed that previously Beijing could do no wrong, now she can do nothing right. Undoubtedly the Western media in the past had inadvertently hyped up China's rise. While the present pessimistic reporting may be closer to the truth, it may be concerned about the wrong things. For example, what transpired a few months ago in the Shanghai stock market and later in the Renminbi currency movement made China a laughing stock of the world. Embarrassing as these incidents may be, they are not detrimental and do not have long-term consequences. China is like a farm girl thrust upon the global stage. Mistakes are inevitable but Chinese regulators will learn from them. As such, they are not my main concern. Instead, I am worried about something else.

Conceptually there are two main ways to manage any social system such as an economy. Briefly stated, they are laissez-faire versus control. The dominant practice of the free market in the world today is in the former category. Let the market comprised of many millions of individuals choose what it wants. The government is only responsible for maintaining order through rules and regulations supplemented by social norms. The other way is exemplified by the centrally controlled economy. Between the two, there is a continuum of many shades.

History of the 20th century has shown that the free market is more conducive to unleashing human productivity and hence wealth creation. But if taken to the extreme, chaos will inevitably result. Uneven wealth distribution may necessitate government actions to maintain societal order. The libertarian way must be somehow moderated.

And since almost all attempts at a centrally controlled economy ended in disaster, the ideal, if there is such a thing, must rest somewhere in the middle but much closer to the free market side.

After decades of experiment, China has discovered the above the hard way. The economic opening and reform since 1978 attested to that. The critical question now is how far and how fast it should go.

Beijing leaders are well aware that in order to pull China out of poverty, it must have a strong central government. The rise of other East Asian countries in the post-World War II era has amply demonstrated that, and there is no exception. In the first few decades of economic development, some form of government leadership is almost indispensable. This is true in Japan and in the Four Tigers – South Korea, Taiwan, Hong Kong and Singapore, with the then Colonial government of Hong Kong having the lightest touch. Beijing has followed that path and has so far been successful beyond imagination.

But as most people would agree, as the economy develops, involvement of the government must lighten up. Beijing understands it well and has already embarked on that direction. However, there are two unique challenges.

First, for over 4,000 years the Chinese have always lived under a hierarchical society where considerable control was exercised from the center. It is ingrained in the Chinese psyche and has become part of the Chinese culture. No other civilization has had so long a history of continued – and mostly successfully – rule under one governance principle. While it has its strengths such as efficiency and relative social harmony, it also has considerable weaknesses. The lack of legal infrastructure including the judiciary is one. Another is that mistakes made by the central government can be magnified and not easily corrected.

The other challenge is that China is a huge country like no other – it has almost 1.4 billion citizens. It also has one of the biggest peasant populations in the world of about 650 million. The wealth gap between cities and rural areas is huge. The reform needed in one place may not work in another; in fact, another place may require an opposite policy!

All these factors make reform complicated. Moreover, China is fast integrating with the global economy. What happens elsewhere in the world may impact the Chinese economy in profound ways. Increasing dependency on imported energy is just one often-cited example.



China today is no longer a centrally controlled economy like it once was; it is moving towards a government-guided one like Singapore. In fact, China's State-Owned Enterprises probably control a smaller percentage of the country's economy than their counterparts in the small island state. However, there is no denying that Beijing still plays a critical role in all important decisions that affect the economy. Herein lies my main concern for the country – the unintended consequences of government actions. As the system becomes exponentially more complicated, this risk similarly rises.

Since it is unlikely, if not impossible, and not necessarily desirable for the country to move quickly and become like the West, it will have to find a hybrid model which fits its own circumstances. Until a relative optimum is found and is somewhat tested, periodic blunders will seem inevitable. One can only hope that it does not happen too often and when it does, the effect is not too detrimental. Frankly it is quite amazing that the economy has risen to today's level without more disasters. The way ahead however will become even more operationally challenging as systemic complexities grow exponentially.

In the more immediate term, a question sometimes asked is whether the present downturn is systemic or cyclical in nature. The former means that there are structural problems in the economy which will take a long time to address, hence recovery, if it comes, will be very slow. The latter refers to normal market fluctuations where an upturn can be expected within a more or less predictable time frame.

While confident that China's economy will rise again, I fear that recovery will be lethargic, for there are so many structural issues which are not easily resolved. As I wrote as early as July 2012, unlike the sharp economic drop and quick recovery during the 2008-2009 financial crisis, the present downturn seems less severe but will take much longer to recover. Your management is certainly preparing for the worst.

Now let me turn to our real estate industry. I will begin with the residential sector on the Mainland. Although we do not build many apartment units and those that we do are only very high-end ones next to our malls, this area of the economy does affect our overall business. I wrote about it six months ago to HLGL shareholders and will summarize it here.

Contrary to almost everyone I know in the industry, I am of the opinion that China's housing market is quite healthy today. With a little hyperbole, it is the healthiest the country has seen in generations. This is particularly true in the most important tier-two cities. The predominant view, especially in the West, is that there will be a hard landing. I never believed that.



Consider the following: the prevailing problem of the past 20 some years was runaway prices. This called for drastic government actions which inevitably killed the market until the next cycle arrives. Seldom do we see a somewhat ideal condition: prices not rising or falling precipitously while transaction volume and land sales are both moderately robust. This is basically the case today in most tier-two cities. Developers are for the most part still highly geared but not particularly bad from a historical perspective. Many of them have tapped the bond market of late which provides stable and long-term funding.

Tier-one cities are still hot, but as I have previously written, those markets are the most desirable, and money tends to flow in from everywhere. And to be sure, tier-three and -four cities have serious oversupply which only time, perhaps in four to five years, can resolve. In monetary terms, however, by far the greatest sales amount comes from tier-two cities. Overall, their supply and demand are much more in balance. I know of developers who expect a pretty good year for 2016. Given this set of facts, I fail to see how there will be a hard landing.

Closer to our heart are retail properties. We have always maintained that while there are too many malls in certain cities, there are always too few good ones. The latter phenomenon is what gives us great opportunities.



A leading European bank recently published an extensive report which says that China is short of retail space rather than having an oversupply. Per capita square footage in the cities is only 70% that in the United States. Malls of equivalent quality in China have far higher footfall than their American and European counterparts but much lower spending per person. This implies that there is much room for better malls and more growth in per capita spending. While I am not convinced that the findings are correct in every respect, nevertheless the study deserves consideration.

Our experience so far tells us that the challenge does not come mainly from our so-called competitors but from a very weak market. This seems to agree with the above findings.

Now let me turn to our performance. On the Mainland, our two Shanghai properties performed well due mostly to management efforts. So far they are like two pillars that make up for the weak or negative growth elsewhere. However, Plaza 66 has embarked on a comprehensive asset enhancement initiative and Grand Gateway 66 is expected to follow suit later this year. While we will do our best to minimize the adverse effect, it cannot be eliminated altogether. A slow market is definitely the right time to undertake such an endeavor, but it will make growing revenue even harder.

There are other worrying signs. With the exception of Shanghai, negative reversion pressure is strong. We are even detecting some at Grand Gateway 66. With the exception of Shenyang Palace 66, all retail facilities collected less rent in the second half of 2015 than in the first. And with the exception of Forum 66, our tenants did less business in the later part of the year when compared to the earlier. Traditionally the last six months



of the year, with the summer vacation and more extended holidays like the National Day, perform better than the first six months. The latest numbers are a strong proof that the retail market is still weakening.

Looking at our malls in tier-two cities in order of their completion, Shenyang Palace 66 performed satisfactorily. Jinan Parc 66 held its own. If not for the extraordinarily difficult trading environment, this four-year-plus property should be well on its way to stabilizing. Shenyang Forum 66 and Wuxi Center 66 are facing strong challenges. Unlike Palace 66 or even Parc 66, these two newer additions have to deal with teething problems under the worst of all circumstances.

We are still observing Tianjin Riverside 66. The new property syndrome is likely unavoidable; we only hope that the hit will not be as severe as the previous two.

Dalian Olympia 66 had its soft opening in mid-December. Various vital signs are so far acceptable but it is way too early to jump to conclusions. Challenges do not come solely from the weak market but also from government actions or inactions. We will have a better idea by the time of its official inauguration in May.

Offices in our two Shanghai complexes were basically fully leased. The two towers in Plaza 66 were again weaker than that in Grand Gateway 66. We had to sacrifice a little rent to keep them fully let.



The high-rise office in Center 66 attained over 70% commitment by space and about 60% has been occupied. In Forum 66, we were only able to have 44% of the space leased and 40% of our tenants moved in. These numbers are below expectation. The main reason is of course the weak economy – we actually had tenants whose leases were voluntarily or involuntarily terminated soon after moving in. In other words, in a few cases we had to vacate tenants. Rental rate in both projects remained steady.

As expected, office tenant quality is not as high as that in our Shanghai facilities. Nevertheless, since we have invariably the best location, the best design and among the best constructed high-rise buildings in the respective cities, we should be able to attract the best possible tenants. We have not been aggressive in demanding rents because to us, tenant quality is as important as short-term unit rent.

Although the Hong Kong retail environment has deteriorated further, we have done well – rental revenue and like-for-like retail sales both rose. Recent efforts to upgrade premises have borne fruit in an otherwise difficult market. Results from offices were equally pleasing. Basically all properties remained fully let. The only exception was residential and serviced apartments which performed about the same as the year before.

Nevertheless, because we sold far fewer completed apartments than in the same period a year ago, revenue fell 88%. There was no way that the 7% overall increase in rents could have compensated for this. Moreover, with a very small revaluation gain, net profit attributable to shareholders was down 56%. Underlying net profit attributable to shareholders as well as underlying earnings per share likewise retreated by the same percentage.

It is only right that I should say a word about currency movement. For the past few years, we have held a lot of RMB, and in the second half of 2015, it fell by about 5%. Three points should be made here. First, we do not speculate in any currency. We bought RMB in the past because we have many projects under development on the Mainland. Construction, for example, has to be paid for in the local currency. In that sense, we are hedged. Since we report results in Hong Kong Dollars, translation gains and losses are recognized in the reserve account.

Second, as China seeks to increase convertibility of its currency, its range of movement will be broadened with concomitant increase in volatility. We will be prudent and will minimize risks to the extent possible.

Third, it is your Board and management's views that while the RMB has dropped quite a bit of late, we are not negative about its future in the longer run. It does not appear to us that it will fall significantly further. Relatively speaking, the Chinese economy is still much stronger than most major countries. Barring unforeseen circumstances, this should underpin the RMB.

PROSPECTS

It must have been a very wise investor who once said that no one should waste a bear market, but most people do. First and foremost, one must not only survive the bear attack but also be well prepared for it. If not, one will see opportunities go by without being able to capitalize on them. Only the disciplined will earn the right. As many in the West now know, the Chinese characters for "crisis" mean "danger" as well as "opportunities". The Chinese economy today is certainly in a crisis.

In the past 20 some years, your Company has thrived on numerous crises. Major ones included: the near collapse of China's reform in 1989 and its reversal in 1991; the Asian Financial Crisis that began in 1997; the tech bubble of 2000; and the Global Great Recession of 2008 brought on by global financial meltdown. The present slowdown is thus at least the fifth serious one in some 25 years. One commonality as far as Hang Lung is concerned is that we avoided danger and took advantage of market troubles each time.

In 1991 China was in serious turmoil and we began to study its economy. This led to our entrance into its market in 1992 and we formulated a strategy that is still in place today, namely that we shall build, own and manage world-class commercial properties in economically vibrant cities. In Hong Kong, we took advantage of the slow market conditions around that time and bought investment properties including our present



headquarters, the Standard Chartered Bank Building. Beginning in 1994 we also bought land for residential developments in our home city but stopped a year later when we determined that the market would soon reach unsustainable heights. Instead, we put our finances in the best shape possible and then waited.

What we did not know then was how big the bear market would be. It turned out that the financial crisis that started in 1997 swept through much of East Asia. Then in the depth of that crisis, we bought land in Hong Kong in the absence of competition. Plots on which we built The HarbourSide, The Long Beach and more were all purchased within 21 months beginning April 1999. They have brought us over HK\$26 billion of pre-tax profit.

Around the same time, a strong wind of high-tech startups blew our way from the United States. Many of our local competitors were caught up in it instead of buying land. We also experimented with it for a while but decided that the best opportunities then were to stick with what we knew best.

Then ahead of the Global Great Recession that hit in 2008, we quietly bought many plots on the Mainland in 2005-2006 when no one was looking at prime land in second-tier cities. Due to sound financial management, we avoided the troubles that followed and further acquired land amidst the market lull. The bear was thus kind to us.

Now the market is again weak. As I had written before, unlike in 2008 when the fall was steep and the recovery quick, this time it is a U-shaped experience which is much more painful. But as in all previous downturns, we are well prepared for it – in the past 10 years, we were basically debt-free. Net debt today is negligible.

Our preparation for the bear market was not limited to the area of finance. As the market was stalling, we undertook many asset enhancement initiatives – first in Hong Kong and now also in Shanghai. This was why we were able to maintain rental growth in our home market which was in an unfavorable environment. Some question how we can defy gravity. We do not; we just prepared ourselves well ahead of the market fall. Others predict a drop in our Mainland rental revenue like some of our competitors. I do not believe so, at least not this year.

How to capture opportunities presented in a bear market is something I had written about previously. Here I will only summarize.

As long as finances allow which certainly is in our case, a tough trading environment should be used for property upgrade. This we are doing in our two Shanghai properties. It will slightly hurt business but it is preferable to hurt at bad times than at good times. Most

property owners hold back from spending money especially on capital expenditures when the market is down. We do the opposite. This will position us well for the next growth cycle.

In due course we may buy more land on the cheap. But because the downturn is expected to last for some time, we are not in a hurry. We will continue to monitor various cities, as we always do.

We will complete building our management team. Weaker players shed staff during market lulls; we try to attract the best that the marketplace can offer. The focus will mainly be on our leasing and commercial operations team. We will also continue rebuilding an appropriate corporate culture.

Under the leadership of the Board, my colleagues are completing a multi-year project on enterprise risk management. This is an area that we will revisit from time to time.

History shows that whenever our share price is low, our parent company HLGL will buy our scripts. I expect more of the same as long as conditions are right. We will also issue stock options to executives whose ranks have ballooned in numbers in recent years. We should keep our cadres motivated especially when the market is down.

There is one other critical area that we will attempt to build up during the slow market. Previously I have only alluded to it. Namely, in addition to our B2B (Business-to-Business) model, we will add a B2C (Business-to-Consumer) dimension to the way we conduct our business. This plan was recently affirmed at a Board retreat on risk and strategy.

Most landlords think of themselves as dealing only with brands and shop owners. After all, shoppers do not visit our malls to buy from Hang Lung; they transact directly with Chanel, Louis Vuitton, Apple or a restaurant. Our job is to build and manage the best environment, both physical and atmospheric, so that customers will continue to return to our malls, but our orientation is mostly towards our tenants. Our direct outreach to visitors is not robust.

However, consider the case when a female customer wants to buy an Hermès or a Prada product, she does not tell her driver to take her to those stores. Instead, she asks to be taken to Plaza 66 or Forum 66. We have always worked hard to attract the right kind of visitors to our malls but this effort will have to be deepened and broadened. Deepen in the sense that we must see ourselves as a marketing and customer-oriented company and not merely a property rental outfit. Our thinking must change. Broaden means that we must have much more direct interaction with shoppers. With the latest technology, what we can do directly and meaningfully with them has grown substantially. We will also have to work closer than ever with our tenants, especially the key ones, in a more symbiotic way.



This is why two years ago I wrote about an in-house initiative that we called EST, or Experience, Service and Technology. We apply technology of varying degrees of sophistication – from the very simple to the more complicated – in order to provide services that were previously not supported. The goal is to enhance and enrich a positive experience for our shoppers so as to foster long-term loyalty. In the short run, certain new services can be expected to directly increase sales to our tenants. In so doing we are not only luring shoppers to our malls but also bonding our tenants with us.

We already have some of the best hardware in the industry. We hope to also have the most effective software. To be sure, the number one critical success factor in our business is the hardware, or what I call “real estate genetics” of location, size, design and construction. It is almost impossible to win in the long-term without them. We already have them, and the superior software will further cement our leadership position in each of the markets we have chosen to play.

Many are concerned about the impact of e-commerce on physical stores, and I wrote extensively on the subject two years ago. Simply put, the former will definitely not replace the latter, and the few malls that have good “genes” like ours will continue to thrive.

What most people are less aware of are the changes that are quietly taking place in the physical facilities. The overall experience of a shopper at a mall will in say five years be very different from that of today. We want to position ourselves well for that revolution. When the market is hot, we may not have the capacity to focus on such changes. But now with a chilly winter upon us, it is the right time to put in place measures that will ensure our long-term competitiveness.

Given such changes and the role that technology will play, younger minds are needed. We do have some excellent executives in their 30's who should be able to lead the transformation and, one day, the Company. After all, the baby boomers are now at their retirement age or close to it. The bulk of the spending power is moving to a rising generation closer to the age of our younger colleagues. So from many perspectives, developing younger talent is critical to our continued success. This we are most conscious of and are taking steps to prepare for the future.

Six months ago I promised to report on the many awards that we have garnered. There are frankly too many to enunciate one by one. At one count, in 2015 alone we received over 20 prizes of many sorts from reputable international as well as local organizations. Here I will only summarize by roughly categorizing them into three broad groups: sustainability, corporate governance and design. Some honors may fall under more than one category.

On the issue of sustainability, we have been known for our excellent corporate social responsibility. This is a broad term that can include many aspects and we have been cited in many of them. Environmental sensitivity is one such area where we excel. For example, all of our completed Mainland malls have achieved the Gold Level of the LEED (Leadership in Energy and Environmental Design) certification from the U.S. Green Building Council. Not many commercial projects anywhere in the world can attain this but for us it is the minimum.

We have been singled out repeatedly for our efforts in human resources. Examples include: best employer award, best employee training and development program, high employee engagement, best knowledge management, and so forth. Marketing is yet another area for third party endorsement.

Regular readers of this letter will know why we are considered among the very best in corporate governance. For those who know anything about Hong Kong's public companies, especially in our industry, they will recognize that we absolutely stand out – we maintain the highest standard in terms of transparency and accountability. The prizes bestowed on us testified to this. We are also considered superb in investor relations. Even this Annual Report has garnered many awards.

In the area of design, no one should be surprised if he or she has visited our shopping centers on the Mainland. Every project has received high accolades from respectable international organizations. Each is a piece of art which adorns the cityscape. In a land populated with substandard building design, we see it our mission to raise the citizens' standards in appreciating good architecture. Needless to say, we always strive to balance aesthetics with functionality.

As we like to maintain, in all things "We Do It Right"!

Ronnie C. Chan

Chairman

Hong Kong, January 28, 2016

Riverside 66,
Tianjin

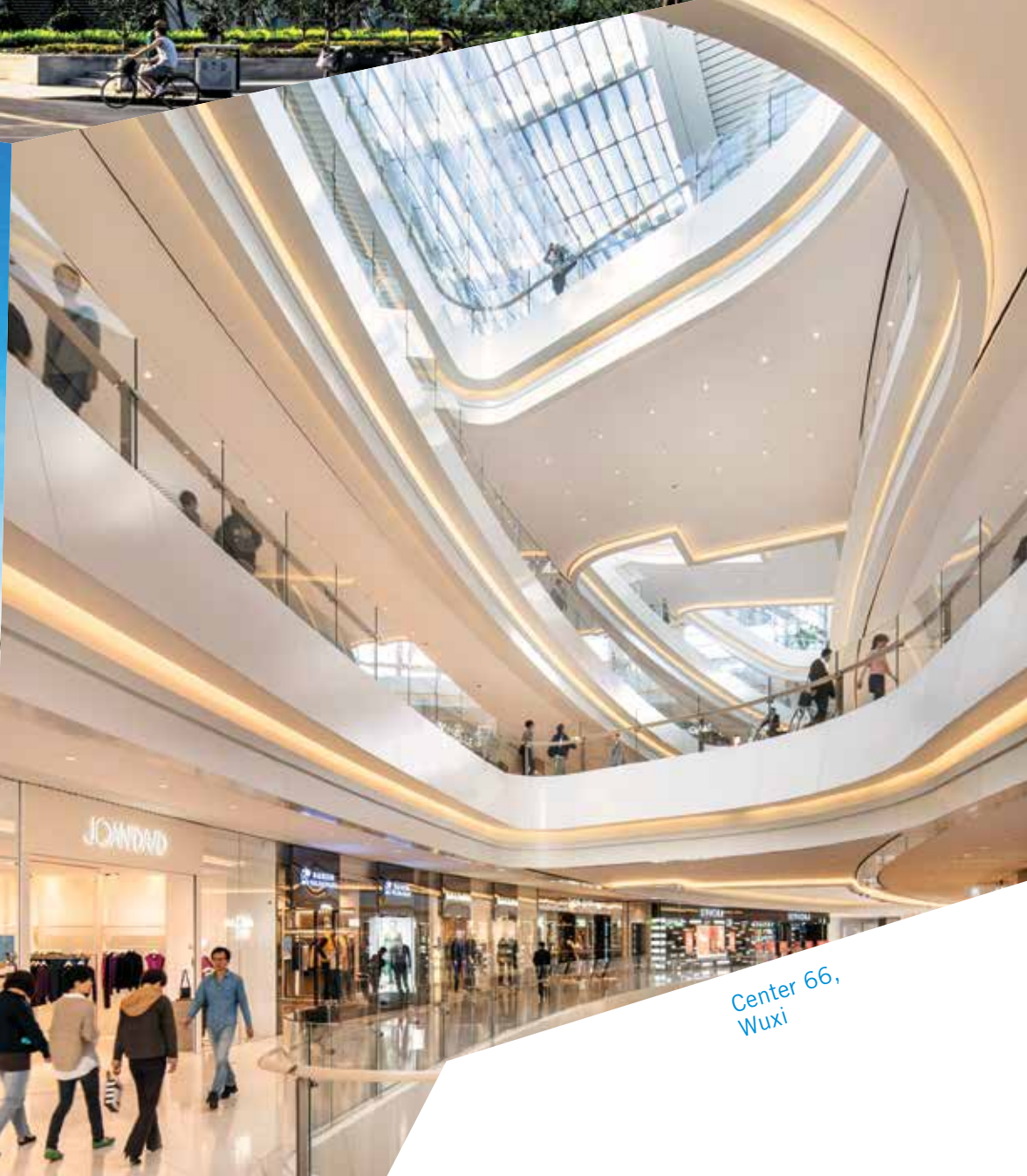


Innovative Ideas

Innovation extends beyond the unique architectural design of our world-class developments to the outstanding creativity of our teams that has created unprecedented experience in all aspects of our business. Together with the constant enhancement of our Hang Lung Star Services, we are in the business of providing the ultimate lifestyle and shopping experience for customers.

Spring City 66,
Kunming

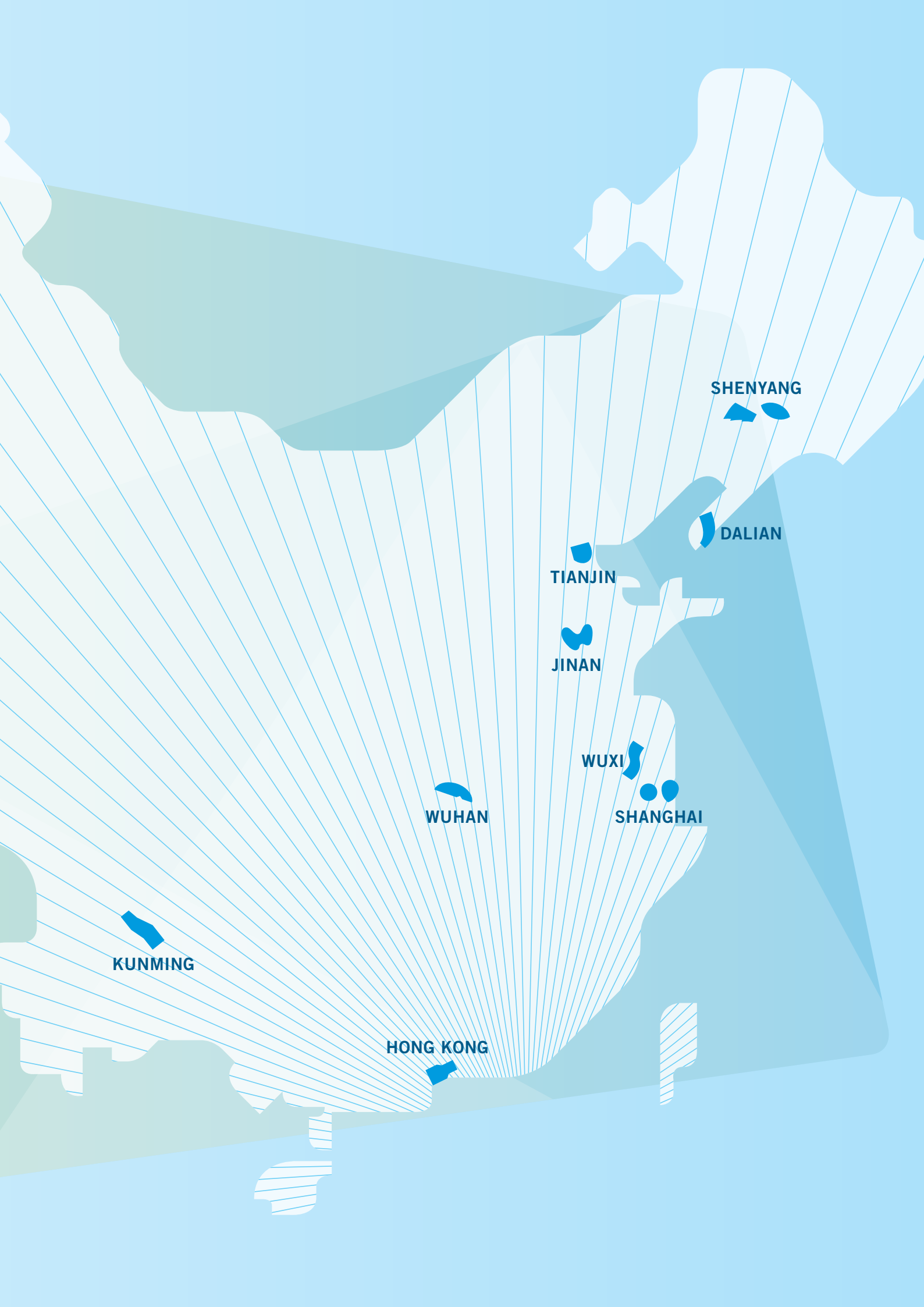




Center 66,
Wuxi

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SHENYANG



DALIAN



TIANJIN



JINAN



WUXI



SHANGHAI



WUHAN



KUNMING



HONG KONG



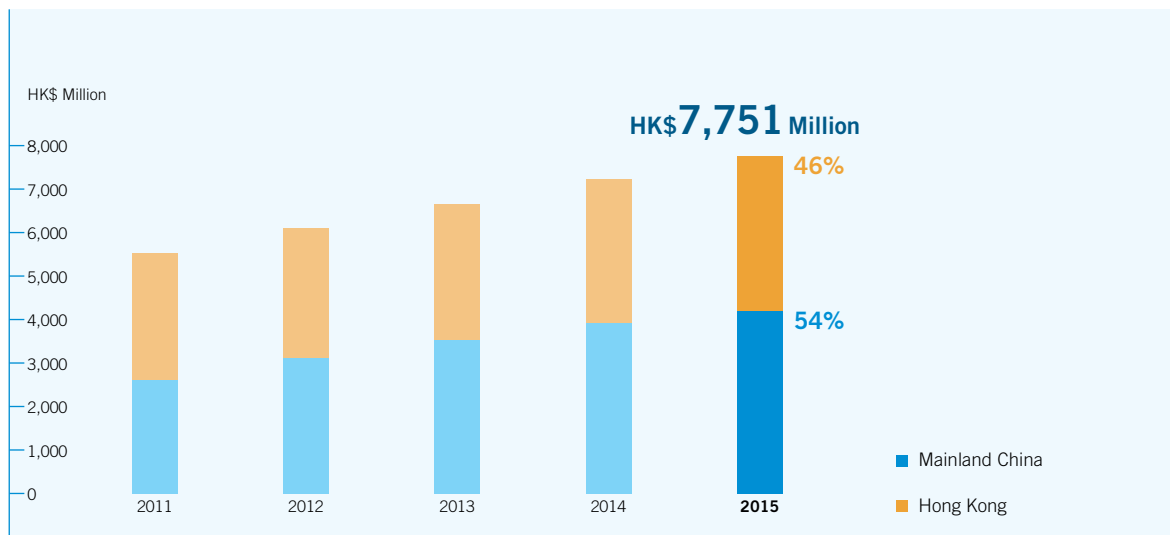


BUSINESS OVERVIEW

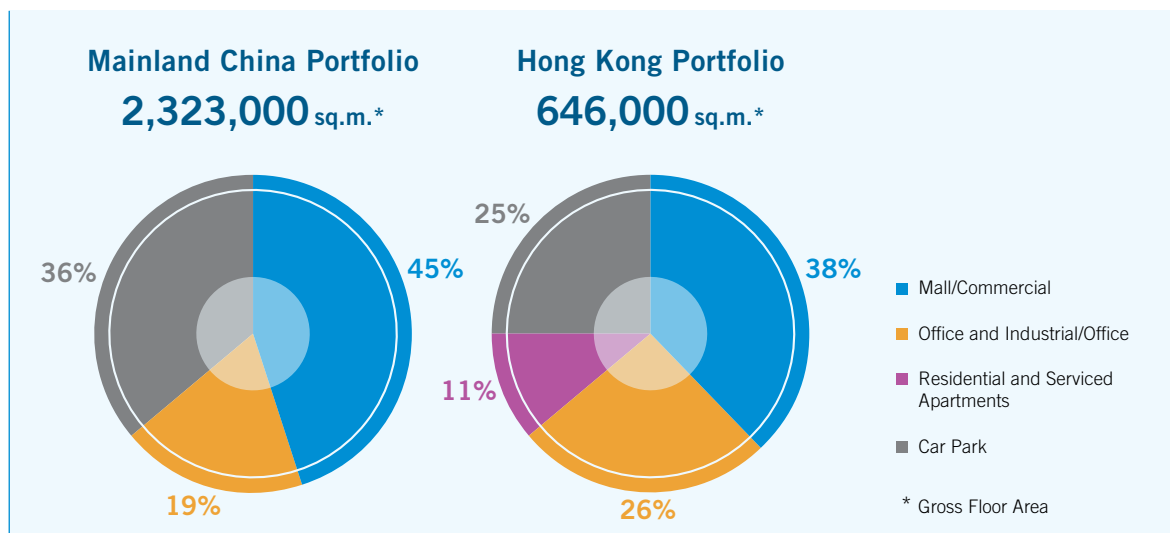
Based on our longstanding business philosophy, We Do It Right, Hang Lung is committed to honing our competitive edge and further consolidating our position in the markets where we operate, achieving what is “right” for our stakeholders.

In 2015, recurring revenue from property leasing increased by 7% to HK\$7,751 million. With a lower development profit derived from fewer residential units sold during the year, the overall revenue of Hang Lung Properties decreased by 47% to HK\$8,948 million. Correspondingly, total operating profit dropped by 50% to HK\$6,548 million.

PROPERTY LEASING REVENUE



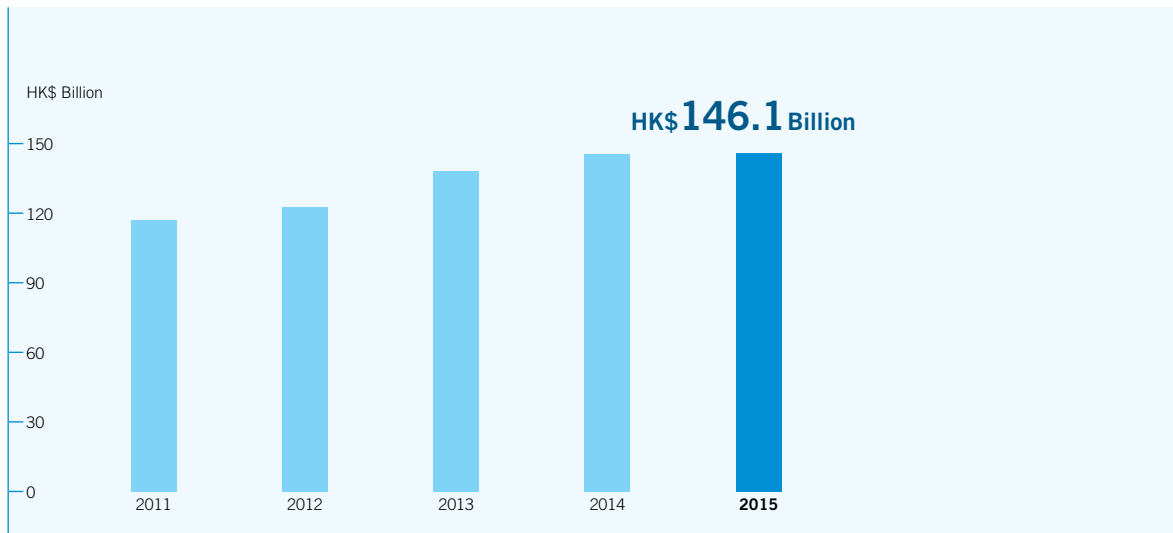
AREA OF INVESTMENT PROPERTIES



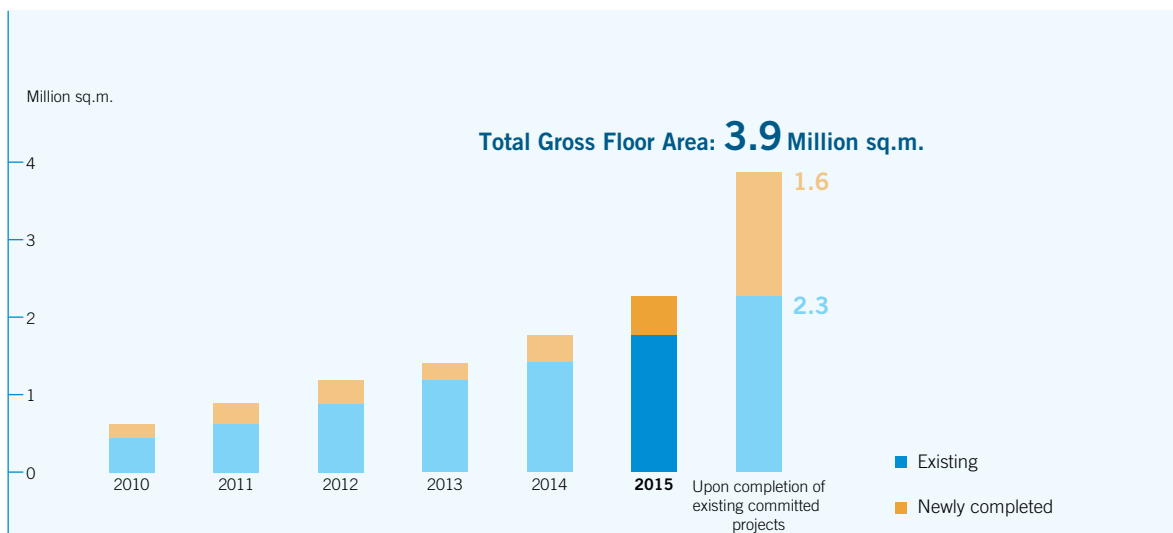
Results for our leasing business have benefitted from our acts to enhance footfall and interaction with customers through innovative, customer-centric marketing and EST (experience, service and technology) initiatives. Our mature properties in prime locations have also played their part in consolidating our position with well-received asset enhancement initiatives.

In addition, our service quality has been enhanced and invigorated by the introduction of a group-wide service protocol to take the Hang Lung Star Service to new heights across all our operations.

VALUATION OF INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT AS AT DECEMBER 31



AREA OF INVESTMENT PROPERTIES IN MAINLAND CHINA

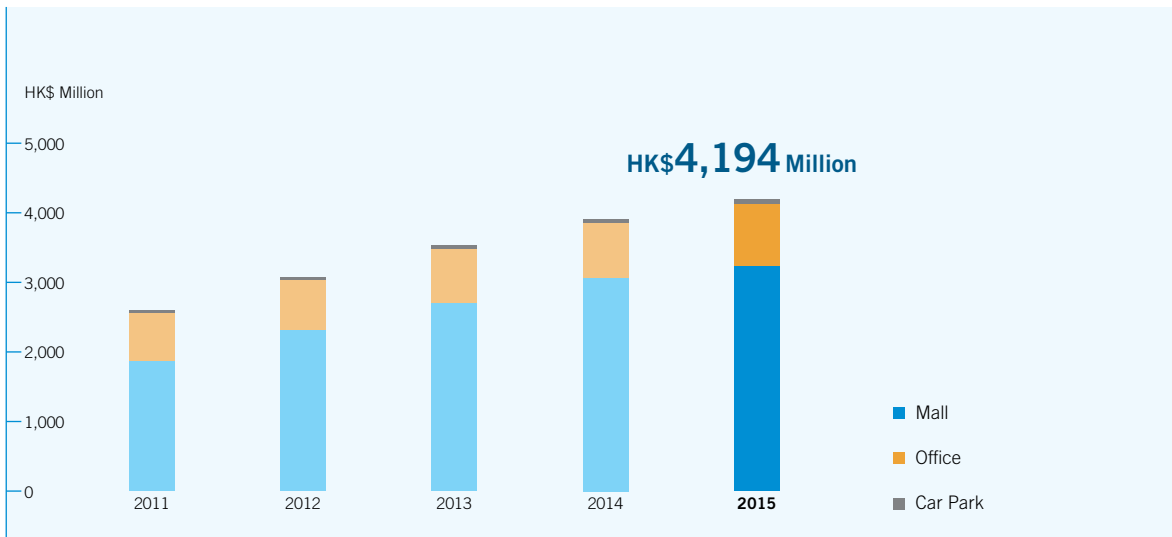




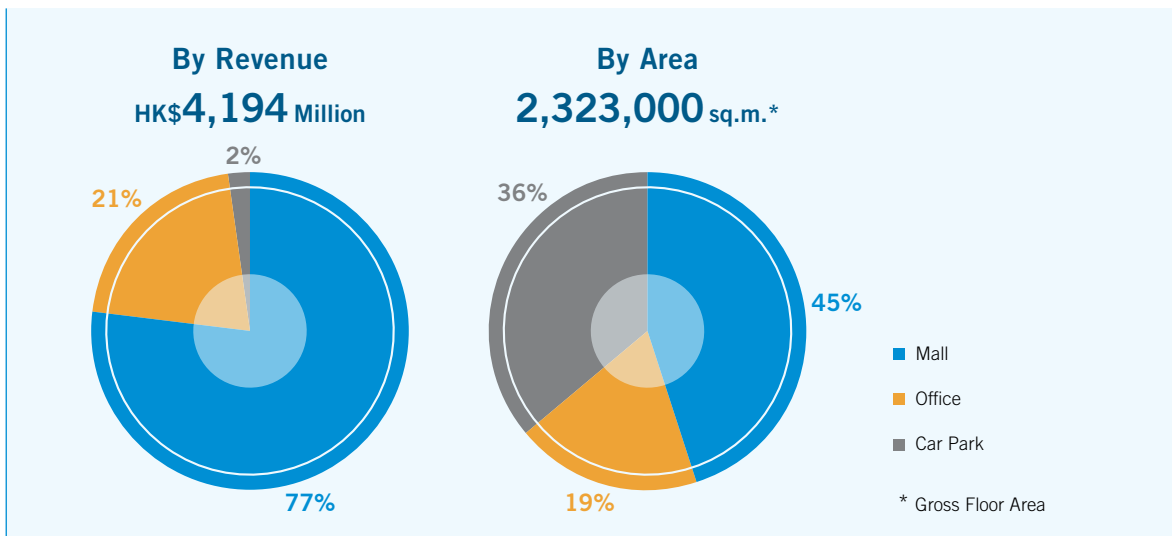
MAINLAND CHINA PROPERTY LEASING

Hang Lung has been active in the mainland China commercial property market since the 1990s. Our focus has gradually shifted from building world-class commercial complexes and iconic landmarks to providing top-quality customer service and developing innovative marketing campaigns.

REVENUE OF MAINLAND CHINA PORTFOLIO



DISTRIBUTION OF MAINLAND CHINA PORTFOLIO



Amid weaker retail market sentiment caused by the rising popularity of shopping overseas, economic uncertainty and the influence of recent stock market volatility, our performance in the leasing division has maintained moderate growth.

The total revenue from mainland China properties reached HK\$4,194 million, representing a 7% growth year-on-year. New premises have contributed to leasing growth with the opening of the shopping malls at Riverside 66 in Tianjin and Olympia 66 in Dalian, and the office towers at Center 66 in Wuxi and Forum 66 in Shenyang. The rental growth of our Shanghai properties was partly offset by the decrease in rental income of the Forum 66 and Center 66 shopping malls.

SEGMENTAL ANALYSIS OF MAINLAND CHINA INVESTMENT PROPERTIES

For the year ended December 31

	Rental Revenue (HK\$ Million)		Occupancy Rate at year-end		Total Gross Floor Area [#] ('000 sq.m.)	
	2015	2014	2015	2014	2015	2014
Mall	3,234	3,063	81%	89%	1,049	827
Office	896	796	73%	66%	438	248
Car Park	64	57	N/A	N/A	836	686
Total	4,194	3,916	78%	81%	2,323	1,761

[#] Including gross floor area above and below ground



MAINLAND CHINA PROPERTY LEASING

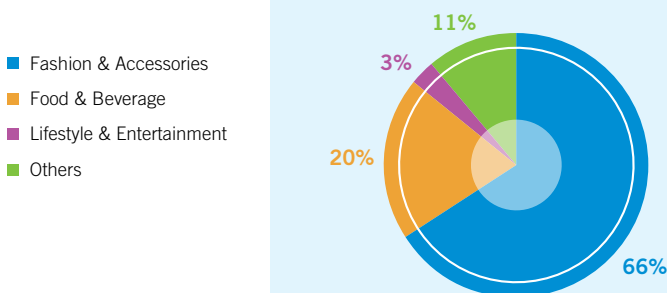
BRIEF ON PROPERTIES

PLAZA 66, SHANGHAI



Renowned as one of the most successful commercial complexes in mainland China, Plaza 66 comprises a five-story high-end shopping mall, housing renowned luxury goods and fashion brands, and the two prestigious Grade A office towers, soaring 66 stories and 48 stories, respectively, attract prominent local and international businesses as tenants. The entire complex has become one of the city's most admired landmarks.

Commercial Segment Distribution (by Leased Floor Area)



Key Statistics

Gross floor area (sq.m.)	Commercial	53,700
	Office	159,555
	Residential and Serviced Apartments	N/A
Number of car parking spaces		804
Occupancy rate (at year-end)	Commercial	97%
	Office	98%
	Residential and Serviced Apartments	N/A
Number of shopping mall tenants		120

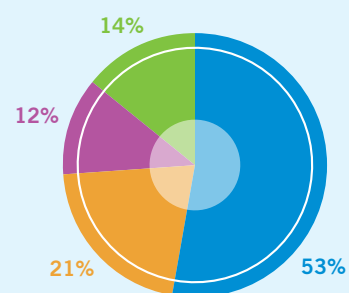
GRAND GATEWAY 66, SHANGHAI



Located at the commercial hub of Xujiahui, Grand Gateway 66 is an interconnected complex comprising a shopping mall, an office tower and residential and serviced apartments. Grand Gateway 66 has a unique and contemporary style that sets it apart from similar developments in the city.

The shopping mall of Grand Gateway 66 offers unmatched opportunities for business and leisure. With its superb location above the Xujiahui station, Grand Gateway 66 is a true one-stop shopping complex in Shanghai.

Commercial Segment Distribution (by Leased Floor Area)



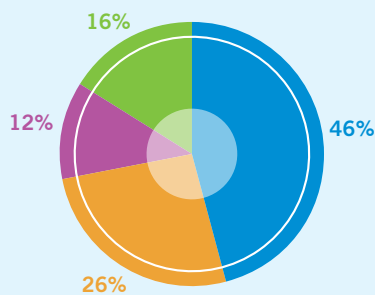
Gross floor area (sq.m.)	Commercial	120,188
	Office	67,200 (owned by Hang Lung Group Limited)
	Residential and Serviced Apartments	83,200 (owned by Hang Lung Group Limited)
Number of car parking spaces		835
Occupancy rate (at year-end)	Commercial	97%
	Office	97% (owned by Hang Lung Group Limited)
	Residential and Serviced Apartments	81% (owned by Hang Lung Group Limited)
Number of shopping mall tenants		360

PALACE 66, SHENYANG



The magnificent Palace 66 shopping mall is located right in the vibrant financial and commercial heart of Shenyang. Situated on Zhongjie Lu, a famous commercial street in Shenhe district, Palace 66 houses an alluring blend of international and local brands. These encompass fashion and accessories, lifestyle and entertainment, beauty and cosmetics, as well as quality restaurants.

Commercial Segment Distribution (by Leased Floor Area)



109,307

N/A

N/A

864

90%

N/A

N/A

200

FORUM 66, SHENYANG

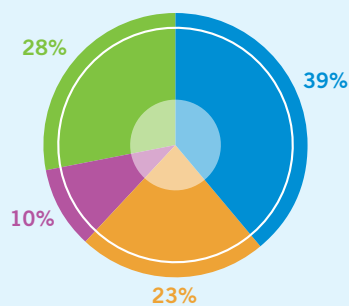


Forum 66 sits ideally on Qingnian Da Jie, the Golden Corridor thoroughfare that runs through the city center, and is close to Shenyang's best known landmarks.

The shopping mall at Forum 66 houses a number of world-leading high-end brands that have chosen Forum 66 as the home for their first stores in Shenyang. The Metro line No. 2 offers direct access to Forum 66 from the station, providing an additional boost to traffic flows to the project.

The office tower has 88-story, soaring more than 350 meters into the city skyline. It is a rare and superior high-rise building in Shenyang and is a magnet for renowned multinational companies.

Commercial Segment Distribution (by Leased Floor Area)



101,960

190,745

N/A

2,139

87%

42% (low- and mid-zones)

N/A

120



MAINLAND CHINA PROPERTY LEASING

BRIEF ON PROPERTIES

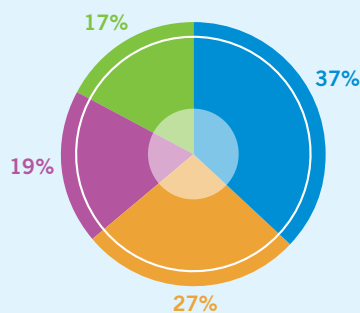
PARC 66, JINAN



Situated on Jinan’s Golden Avenue, Quancheng Lu, Parc 66 introduced a number of international brands launched for the first time in the Jinan market. The shopping mall is a most welcome lifestyle destination for Jinan residents with its cinema, supermarkets and cafés.

The architectural design of Parc 66 blends well with the surrounding environment. Taking its theme from the nearby lakes and springs, Parc 66 embodies a flowing design, an undulating roof, green spaces and curved façades. Its two triangular-shaped shopping buildings are linked by an undulating bridge, the Dragon.

Commercial Segment Distribution (by Leased Floor Area)



- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others

Key Statistics

Gross floor area (sq.m.)	Commercial	171,074
	Office	N/A
	Residential and Serviced Apartments	N/A
Number of car parking spaces		789
Occupancy rate (at year-end)	Commercial	88%
	Office	N/A
	Residential and Serviced Apartments	N/A
Number of shopping mall tenants		310

CENTER 66, WUXI

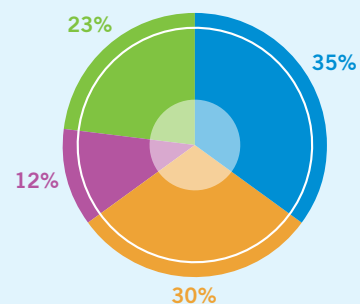


Situated ideally at the heart of Wuxi’s Liangxi central business district on Renmin Zhong Lu, Center 66 (Phase 1) is a commercial complex currently comprising a shopping mall and a Grade A office tower.

The shopping mall houses a selection of global brands, food & beverage outlets as well as lifestyle offerings.

The 52-story office tower of Center 66 began operation in October 2014 and is home to a number of international and domestic leading corporations.

Commercial Segment Distribution (by Leased Floor Area)



Gross floor area (sq.m.)	Commercial	118,135
	Office	88,560
	Residential and Serviced Apartments	N/A
Number of car parking spaces		1,292
Occupancy rate (at year-end)	Commercial	72%
	Office	70%
	Residential and Serviced Apartments	N/A
Number of shopping mall tenants		150

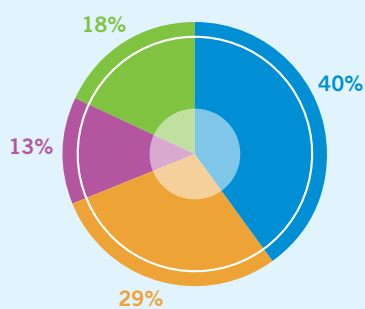
RIVERSIDE 66, TIANJIN



Located strategically in the heart of Tianjin's Haihe central business district, Riverside 66 houses an extensive tenant list encompassing an alluring mix of internationally renowned fashion brands, food & beverage outlets and lifestyle retailers. A number of tenants have also chosen Riverside 66 as the home for their first stores in Tianjin.

The unique and eye-catching architectural design of Riverside 66 extends approximately 380 meters from east to west amid the most hectic and bustling pedestrian zone in Tianjin.

Commercial Segment Distribution (by Leased Floor Area)



152,831
N/A
N/A
800
86%
N/A
N/A
285

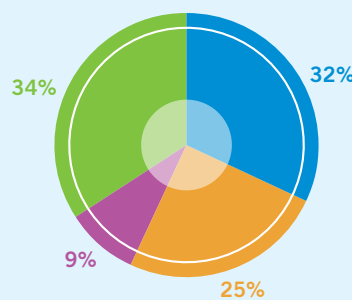
OLYMPIA 66, DALIAN



Centrally situated on Wusi Lu, one of the most prominent commercial thoroughfares in the city of Dalian, Olympia 66 is Hang Lung's eighth commercial project on the Mainland. This world-class building boasts a unique architectural style, with its grand curving geometric design reflecting the concept of the auspicious Chinese Tai Chi twin dancing carps.

With a retail sales area of over 220,000 square meters, Olympia 66 is Hang Lung's largest shopping mall to-date. It provides diversified choices of shopping, dining and entertainment, attracting a number of international brands to debut and open their flagship and concept stores in Dalian.

Commercial Segment Distribution (by Leased Floor Area)



221,900
N/A
N/A
1,214
54%
N/A
N/A
124



MAINLAND CHINA PROPERTY LEASING



Plaza 66's Flora Flora event with stunning 3D installations

PLAZA 66, SHANGHAI

Despite the mixed economic climate and the competitive challenges posed by the opening of new shopping malls, **Plaza 66** has maintained its Home of Luxury positioning with the expansion of the PRADA flagship store, the launching of a brand new Fendi flagship, to be followed by the complete refit and expansion of the Dior family of stores and boutiques and the introduction of new brands of similar stature in 2016.

The asset enhancement work to Office Tower One and the mall which is well underway, connects the currently disjointed B1 shopping arcade providing full access to the upper retail floors and the car park. Terraced cafes will be introduced in the west Atrium. All these will pave the way for a wider and livelier blend of fashion accessories and top quality food services to complement the comprehensive mix of exclusive luxury brands.

As a prelude to the above, an extensive range of fresh, experiential and rising international brands of the lifestyle luxury genre have been put in place, including Balmain, Goyard, Y-3, Maje, Versus, as well as brands making their debut in Shanghai such as Leonard, Maison Margiela, Diptyque, Agent Provocateur and Biologique Recherche. These additions are all part of the plan to animate and expand Plaza 66's appeal to a new generation of affluent shoppers who would not be satisfied solely with traditional luxury.

With its parade of world-class luxury brands and ever-expanding food and beverage services, Plaza 66 was named as The 2015 Most Trendy and Luxurious Landmark for the third consecutive year by Shanghai Times, one of the Shanghai business community's most influential media outlets.

The occupancy rate of **Plaza 66 Office Towers** increased by six points to 98% year-on-year. 2015 has seen the major expansion and renewal of existing, high-profile office tenants including the completion of the LVMH Group's transferal of its various brands

and operations to Plaza 66, now occupying an expanded floor space of over 18,000 square meters. New tenants of note include Japanese pharmaceutical giant, Santen Pharmaceutical, which have relocated their China head offices to Plaza 66.

Commenced in June 2015 with substantial completion scheduled by 2016, our asset enhancement works will increase competitiveness by taking exceptional hardware and software quality to new heights. The First Phase of the lobby renovation at Office Tower One unveiled a new look at the end of 2015. With the well planned and executed enhancement works in full swing, we are firmly on target to solidify our leading position in the market.

GRAND GATEWAY 66, SHANGHAI

As a premium shopping mall, refining tenant mix is a delicate operation that requires a thorough understanding of market trends and sentiments. The introduction of new international high-end brands to **Grand Gateway 66** has had a positive impact on footfall while the newly installed Cosmetic Zone on the second floor has made the mall a magnet for a young, stylish and affluent clientele. Leveraging on this customer base, the introduction of new popular women's fashion brands into the tenant mix is now in progress.

Marketing activities throughout the year have taken the seasons, celebrations and hottest trends into account, and transformed them into engaging events that attract crowds and generate footfall. From Star Wars and Popeye to an amazing 3D summer maze and our Dress Up This Christmas campaign, we have celebrated with both tenants and customers.



Hang Lung and the National Geographic Channel premiere the first ever T-Rex Revealed Dinosaur Exhibition



MAINLAND CHINA PROPERTY LEASING

Among the most innovative events of the year has been a colossal collaboration with the National Geographic Channel to bring the awe-inspiring T-Rex dinosaur to life in a touring exhibition that Grand Gateway 66 launched in September 2015.

With a major asset enhancement initiative set for implementation by the end of 2016, the mall will undergo a transformation which will propel Grand Gateway 66 into a new era. We are constantly seeking to upgrade our offering in line with market demands and, to introduce unique food and beverage brands into the tenant mix. Also, we are in full support of the enhancement plans of our tenants, either under construction or under planning, of our tenants such as Marc Jacobs, Chloé, Dunhill, Hugo Boss, Coach, Michael Kors and Tesla.

FORUM 66, SHENYANG

The shopping mall at **Forum 66** was hit by weak retail spending and negative rental reversions which led to a retreat in retail sales by 3%. To this end, 2015 has been a year of consolidating and enhancing our competitive capabilities.

The introduction of the VIC loyalty program has opened up exciting new possibilities for customer service and relationship management. With over 14,500 members to date and the number growing, we have built a databank which will enable us to execute effective, customer-oriented marketing campaigns and promotions to enhance customer affinity. Tenants are very appreciative of this initiative and have held joint promotions with us, which makes this a crucial area for us to support with resources so as to strengthen our tenant relations and boost sales.

In the light of the new two-child policy, we have launched a Kids Zone on the third floor to cater for the needs of parents with a range of children's fashion outlets, toy stores and educational brands. Adding to our list of exclusive international tenants, Tory Burch opened its first regional outlet at Forum 66 in August 2015.

Despite the 3% overall drop in retail sales under exceptionally weak retail sentiment, a notable number of brands have generated growth in turnover. The outstanding ones with over 10% growth include I.T, Moncler, Tiffany & Co, Valentino, Givenchy, Panerai, Piaget, Chloé, Christian Louboutin, Celine, Lanvin, Puyi Optical, Palace Cinema, 趙記老舖, Z-space steak house (領仕扒房) and 思妍麗. After consolidation and backfill with the right replacement tenants, the mix will be more competitive and precise in positioning.

Over
14,500
VIC
members



Forum 66's VIC loyalty program has opened new possibilities for customer service and relationship management

Launched on schedule and within budget, **Forum 66 Office Tower One** opened in January 2015 with offices in the low-to-mid zones handed over in phases from the first quarter of 2015. Despite the highly competitive market environment caused mainly by new supply, the leasing pace of Office Tower One has been generally satisfactory with an occupancy rate reaching 42% in the nine months from the handover.

Forum 66 Office Tower One is proving to be a magnet for renowned multinational companies such as Sumitomo Mitsui Banking Corporation, Medtronic, Covidien, Nikon, Generali China, Astellas Pharma, Omron and Hokkaido Bank, which have already made the tower their corporate home. Meanwhile, national-level Mainland companies including Yanshang Group, Pingan Insurance, Cennavi, Taoli Food, Haitong UniTrust, JZ Securities and JSVC have also confirmed their leases.

PALACE 66, SHENYANG

After two leasing cycles, the revenue of **Palace 66** posted moderate growth as a result of rising occupancy while retail sales recorded a 2% year-on-year growth.

Palace 66 has consolidated its position as a contemporary and fashionable nerve center for the local community. This has been achieved through an insightful marketing strategy that has consistently drawn crowds. For example, The Nanta Show from Korea filled the concourses of the mall with people enjoying the group's unique blend of non-verbal comedy. In addition, characters from the much loved smartphone game Plants vs. Zombies made their debut at the Palace 66 Halloween event, which stimulated an impressive 90% increase in footfall, vehicle entry, and increased sales within the mall.



The Nanta Show from Korea fills Palace 66 with shoppers



MAINLAND CHINA PROPERTY LEASING

During the course of the first half of the year, there were some shifts in our tenant mix which were all improvements, with the addition of international tenants Pandora, Folli Follie, Ed Hardy, VANS, New Balance and Carhartt, which also served to further animate the mall's line-up.

PARC 66, JINAN

The general climate of economic uncertainty has had a negative impact on consumption in the retail sector. However, this has led retailers to seek improved ways to position themselves in the market, most notably through finding reputable shopping malls in which to open their stores. **Parc 66** will be the beneficiary of this trend and a strong line-up of new brands is expected in the coming year, with an iconic global technology brand opening its first Jinan store in the first half of 2016.

Apart from traditional retails, Parc 66 has also introduced a diversified range of leisure and lifestyle offerings including a gym, a beauty salon, a bookstore-cum-cafe, an art school and a children's playhouse. Other popular international brands have also opened their outlets at Parc 66 in the course of the year including Avirex, BOY LONDON and Nannini, which is making its debut in Shandong Province. Among existing tenants, 11 have completed enhancement works on their premises in 2015 with a further six tenants due to commence upgrade works in 2016.

Occupancy rate of Parc 66 increased to 88% by year end. Retail sales at the mall remained flat due to cautious spending.



Parc 66's Halloween event Costume Ball on Stage is welcomed by shoppers

CENTER 66, WUXI

Under the challenging circumstances of the current downturn, **Center 66** recorded a drop in retail sales while the occupancy rate declined to 72% during the course of tenant reshuffling. The mall has implemented a series of strategic enhancement initiatives and policies to drive consumer demand.

Our focus on marketing activities throughout the year lifted the mall's status as a center of activity for the community. The much anticipated T-Rex exhibition, jointly organized by Hang Lung and the National Geographic Channel, was a phenomenal success, drawing crowds from far and wide to generate a growth in footfall. The Cool Bear event comprising a graffiti activity, a Running Bear mobile app and a pop-up bear-themed café attracted a lot of attention. Later in the year during the celebration of the second anniversary of Center 66, the Bonus Points Rewards Program was well-received by shoppers.

A watchful eye has also been kept on the mall's tenant mix with the transformation of the third level into a Kids Zone, led by Toys "R" Us and Kidsland. Center 66 remains an attractive proposition for high value brands seeking to enter the local market and has welcomed renowned chocolatier Godiva and two stylish new brands, JINS and APM Monaco, who made their local debut. Success in enriching the diversity of products and services offered in the mall has also been achieved with the introduction of attractive new food and beverage options along the new subway connecting the mall with the Metro station.

Center 66 Office Tower One completed its first full cycle of operation since its opening in October 2014. With the occupancy rate standing at 70% by the end of 2015, the Office Tower has made pleasing progress and outperformed the wider market.

Our major tenants are companies from the financial sector including insurance, asset management, investment, securities and trust companies. Our global standards have also attracted international names such as Hennes & Mauritz AB (H&M), Mitsubishi Electric, Daikin Air Conditioning, Fuji Xerox, as well as domestic corporations expanding their nationwide reach such as New China Insurance, Ping An Insurance, Huaneng Guicheng Trust, Lujiazui Trust and Chinalin Securities.



Center 66's Cool Bear event comprising various activities brings a lot of fun to shoppers



MAINLAND CHINA PROPERTY LEASING

RIVERSIDE 66, TIANJIN

Having completed its first full cycle of operation, **Riverside 66** has bucked the general trend and produced satisfactory results with an occupancy rate of 86%.

Among the popular names at Riverside 66 are Pandora, Innisfree, Etude House, Tony Moly, Swatch, Theory, COS, H&M, Aape, CK Jeans, Hugo Boss, Michael Kors, Y-3, Armani Collezioni, Gant, Carhartt, GAP and the Abercrombie & Fitch flagship store. The draw of our attractive tenant mix has been boosted by targeted marketing initiatives, which have consistently raised footfall and enhanced public awareness and recognition of Riverside 66 as an important landmark development. Another world renowned consumer technology brand will land in Riverside 66 in the first half of 2016.

A total of 15 marketing campaigns were successfully deployed during the year along with 50 promotional events, including the popular Valentine's Day party with its Heartbeat theme, and the largest Halloween party staged in Tianjin. Leveraging on partnerships with iconic brands, characters and artists such as Barbie, Baymax and Joy Brown, the marketing team at Riverside 66 has created unique popular culture marketing activities to engage our customers.

EST initiatives have also been successfully launched in partnership with WeChat and tenants. They served as a new platform to promote and engage customers in O2O (online-offline) activities. Viral marketing of the kind experienced in the past year will remain as an important part of our communication strategy.

We are set to further enhance our tenant mix with popular, influential brands. Well-timed events of considerable public interest will also feature in our line-up for the coming year, with the much anticipated T-Rex exhibition, which has been touring Hang Lung malls throughout the Mainland attracting significant crowds, coming to Riverside 66 in April and May 2016.



Riverside 66's interactive hot dance and laser show create a brilliant ambience in Tianjin



Olympia 66 attracts crowds of citizens upon its opening

OLYMPIA 66, DALIAN

Dalian's shining new landmark, **Olympia 66**, had its soft opening on December 18, 2015. With a retail sales area of over 220,000 square meters, Olympia 66 is Hang Lung's biggest shopping mall to date and represents a huge commitment to the development of the city with qualities that have become synonymous with the Hang Lung brand on the Mainland. 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, the largest of which offers 400 seats and a giant screen.

With dedicated attention to the most efficacious tenant mix, our leasing team has already secured a number of tenants across a full range of product and service categories to make Olympia 66 Dalian's preferred venue for shopping and entertainment. Among these tenants, almost 40 are making their entry into Liaoning Province. International brand names abound including Emporio Armani, Coach, Omega, Montblanc, Moschino, G Givenchy, Gucci Timepieces and Jewelry, Armani Jeans, Y-3, Alice McCall, Pandora, Swarovski, UGG, Ralph Lauren Kids, Hugo Boss Kids, Ferrari Kids, Nicholas & Bears, Petit Bateau, and Adidas Neighborhood, establishing Olympia 66 as the premier center for a comprehensive range of international stylish shopping options. In addition, the mall is proud to welcome a number of hugely popular brands who will be unveiling their flagship stores at Olympia 66 including COS, Under Armour, Coterie, Nannini and the most coveted global consumer technology brand known to all.

The importance of technology in the lives of the general public is recognized in our promotional events, the first of which was a Christmas celebratory event, which incorporated our EST strategy focusing on experience, service, and technology with an interactive online lucky draw element and the launching of an online CRM program to build a firm base of clients with whom targeted engagement may be achieved in the future.

40
New Tenants
Debut at
Olympia 66



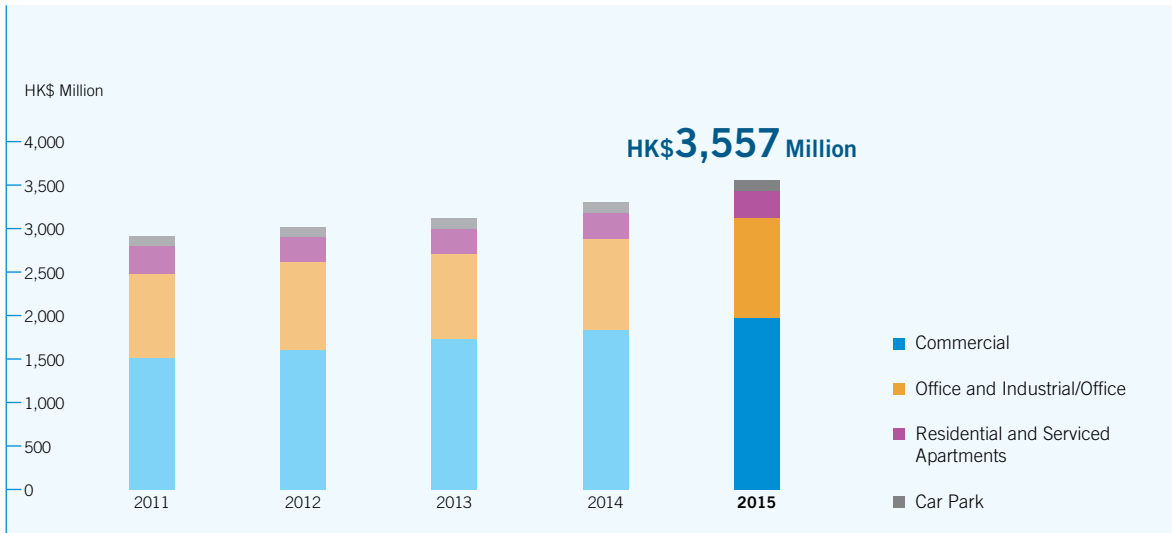


HONG KONG PROPERTY LEASING

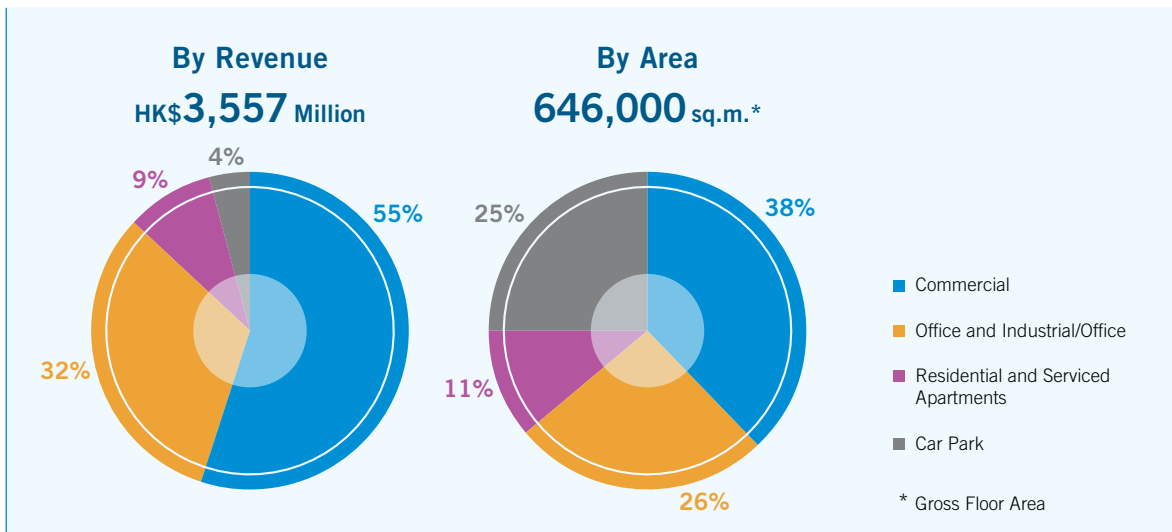
Existing properties in Hong Kong have played their part in consolidating our position in established markets with asset enhancement initiatives bearing fruit and innovative marketing campaigns strengthening our iconic status within the respective districts.

The revenue and operating profit of our Hong Kong leasing portfolio gained 8% and 7% to HK\$3,557 million and HK\$2,989 million, respectively, while the overall rental margin stood at 84%.

REVENUE OF HONG KONG PORTFOLIO



DISTRIBUTION OF HONG KONG PORTFOLIO



Benefitting from asset enhancement initiatives and ensuing rent increases, the revenue of our Hong Kong commercial portfolio advanced 8% to HK\$1,972 million in 2015, against the backdrop of a 4% year-on-year decrease in overall retail sales in Hong Kong.

The entire office portfolio in Hong Kong achieved a 9% rental growth to HK\$1,140 million mainly benefitting from positive rental reversions.

GEOGRAPHICAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

At December 31

	Total Gross Floor Area* ('000 sq.m.)	
	2015	2014
Hong Kong Island		
Central	51	51
Causeway Bay and Wan Chai	92	92
Kornhill and Quarry Bay	134	134
The Peak and Mid-Levels	46	47
Hong Kong South	12	12
Kowloon		
Mongkok	140	140
Tsim Sha Tsui and West Kowloon	86	88
Ngau Tau Kok	76	76
Kwai Chung	9	9
Total	646	649

SEGMENTAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

For the year ended December 31

	Rental Revenue (HK\$ Million)		Occupancy Rate at year-end		Total Gross Floor Area ('000 sq.m.)	
	2015	2014	2015	2014	2015	2014
Commercial	1,972	1,832	98%	98%	246	246
Office and Industrial/Office	1,140	1,048	95%	95%	169	169
Residential and Serviced Apartments	316	295	75%	80%	68	68
Car Park	129	125	N/A	N/A	163	166
Total	3,557	3,300	94%	94%	646	649

* Including gross floor area of car parks



HONG KONG PROPERTY LEASING

BRIEF ON MAJOR PROPERTIES

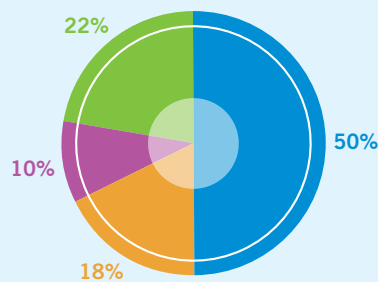
FASHION WALK

Causeway Bay



In a unique fusion of indoor and outdoor elements at the heart of Causeway Bay and encompassing four vibrant streets – Great George, Paterson, Kingston and Cleveland – Fashion Walk is the superlative shopping destination, offering the latest trends in fashion, gastronomy and lifestyle in a magnificent setting. In addition, Fashion Walk features an exciting collection of restaurants with al fresco and indoor seating.

Commercial Segment Distribution (by Leased Floor Area)



Key Statistics

Gross floor area (sq.m.)	Commercial	31,072
	Office	N/A
	Residential and Serviced Apartments	7,935
Number of car parking spaces		N/A
Occupancy rate (at year-end)	Commercial	95%
	Office	N/A
	Residential and Serviced Apartments	91%
Number of shopping mall tenants		79

HANG LUNG CENTRE

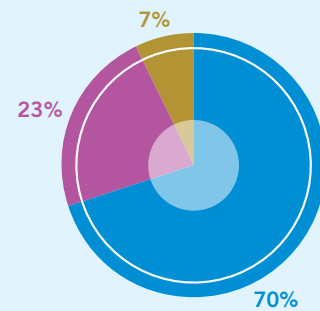
Causeway Bay



Conveniently located in the heart of Causeway Bay, Hang Lung Centre is a retail and commercial complex with key retail and semi-retail offerings in travel, fashion wholesale and medical services. The opening of H&M's first and largest global flagship store in Asia in 2015 injects new energy and boosts the shopping ambience.

Expansion of the travel zone creates a comfortable environment for customers obtaining travel information and shopping for travel products.

Commercial Segment Distribution (by Leased Floor Area)



Gross floor area (sq.m.)	Commercial	8,777
	Office	22,131
	Residential and Serviced Apartments	N/A
Number of car parking spaces		126
Occupancy rate (at year-end)	Commercial	91%
	Office	96%
	Residential and Serviced Apartments	N/A
Number of shopping mall tenants		3

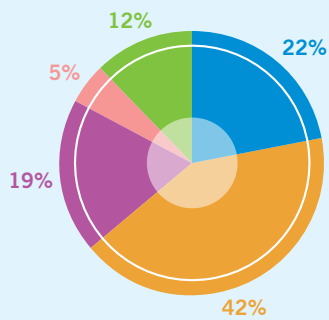
THE PEAK GALLERIA

The Peak



Located at Hong Kong's top visitor attraction, The Peak Galleria is a shopping and dining complex. It not only features a full array of local and international specialty stores, restaurants and a 3D illusion art museum but also a host of environmentally friendly facilities. Its Observation Deck at Green Terrace on L3, offering the stunning panoramic view of Victoria Harbor and the Pok Fu Lam Reservoir, is a must-visit place.

Commercial Segment Distribution (by Leased Floor Area)



12,446

N/A

N/A

493

98%

N/A

N/A

56

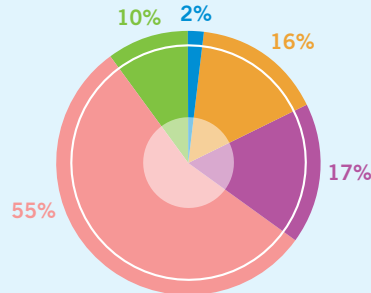
KORNHILL PLAZA

Quarry Bay



Conveniently located on top of the MTR Taikoo Station, Kornhill Plaza is one of the most popular shopping hubs on East Hong Kong Island. The commercial complex houses a quality lifestyle shopping arcade, department store, serviced apartments with superior management and services, an office tower and the Kornhill Learnscape education center.

Commercial Segment Distribution (by Leased Floor Area)



53,080

10,577

35,275

1,069

99%

100%

57%

111



HONG KONG PROPERTY LEASING

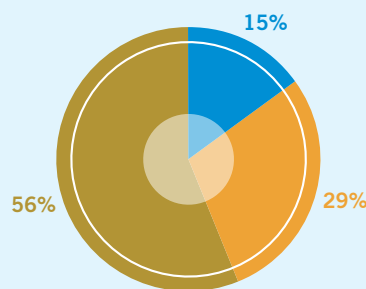
BRIEF ON MAJOR PROPERTIES

STANDARD CHARTERED BANK BUILDING Central



Home to Hang Lung's headquarters, the Standard Chartered Bank Building is a prestigious Grade A commercial tower in Central district. It is also the home of the first digital branch of Standard Chartered Bank, the luxury fashion brand Escada and the high-end Chinese restaurant Mott 32.

Commercial Segment Distribution
(by Leased Floor Area)



- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment
- Bank
- Department Store
- Others

Key Statistics

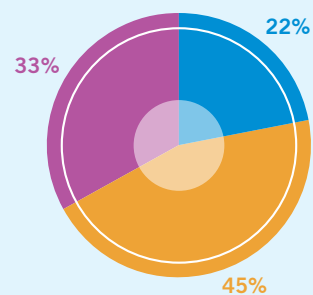
Gross floor area (sq.m.)	Commercial	4,814
	Office	23,730
	Residential and Serviced Apartments	N/A
Number of car parking spaces		16
Occupancy rate (at year-end)	Commercial	100%
	Office	100%
	Residential and Serviced Apartments	N/A
Number of shopping mall tenants		3

GRAND PLAZA Mongkok



Located on bustling Nathan Road next to the MTR Mongkok Station, Grand Plaza comprises two office towers and a commercial podium with high-standard facilities. It houses renowned watch and jewelry brands, many fashion brands and restaurants targeting both locals and tourists, as well as beauty and medical centers.

Commercial Segment Distribution
(by Leased Floor Area)



Gross floor area (sq.m.)	Commercial	20,905
	Office	31,251
	Residential and Serviced Apartments	N/A
Number of car parking spaces		40
Occupancy rate (at year-end)	Commercial	100%
	Office	93%
	Residential and Serviced Apartments	N/A
Number of shopping mall tenants		31

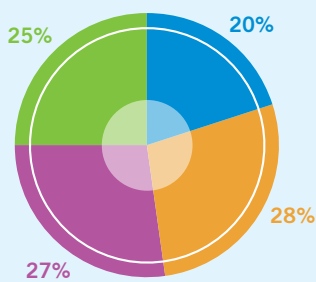
AMOY PLAZA

Ngau Tau Kok



Conveniently located near the MTR Kowloon Bay Station, Amoy Plaza is an integrated mall in Kowloon East, comprising stores offering trendy fashions, beauty products and electronic gadgets. Together with more than 35 restaurants serving local and international cuisines, the mall offers a full selection of lifestyle experiences for nearby office workers and residents of Amoy Gardens.

Commercial Segment Distribution (by Leased Floor Area)



49,006

N/A

N/A

620

99%

N/A

N/A

261

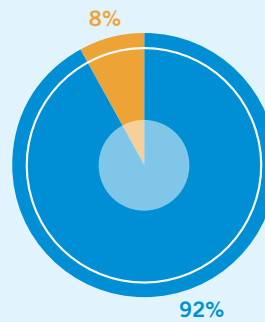
GALA PLACE & PARK-IN COMMERCIAL CENTRE

Mongkok



Located in the vibrant Mongkok district, Gala Place houses the largest single-story Starbucks in Hong Kong, spanning over 4,500 square feet, as well as the triple-story H&M full-concept flagship store, the largest H&M store in Kowloon, and has become a hotspot for the trendy and fashionable. Park-In Commercial Centre houses a potpourri of diversified services and products including outdoor gear, chic fashion, skincare and cosmetics, lifestyle products, audio and digital gadgets, as well as beauty and fitness centers. Park-In Commercial Centre Carpark offers nearly 500 parking spaces, providing a convenient, one-stop shopping experience for its customers.

Commercial Segment Distribution (by Leased Floor Area)



7,454

30,205

N/A

478

100%

95%

N/A

2



HONG KONG PROPERTY LEASING



The Fashion Intelligence Index, created by Fashion Walk and renowned marketing agency McCANN & SPENCER, wins five honors in the 2015 Kam Fan Awards including the only and most coveted accolade of all, the Grand Kam Fan award

Causeway Bay

FASHION WALK

2015 has proven to be a year of remarkable progress driven by a well-orchestrated, holistic transformation program at **Fashion Walk** in Causeway Bay. With the implementation of our Company-wide asset enhancement initiatives, Fashion Walk has taken a multifaceted approach to establishing itself as the vibrant center of fashion and lifestyle in Hong Kong and the wider region, leveraging upon inspired emphases on achieving the most attractive tenant mix, and marketing our unique brand in a way that has captivated the market and earned us recognition as a distinctive lifestyle destination ranked by USA Today 10 Best.

Our spread of brands has given us an edge that propels us to the forefront of fashion and lifestyle trends, leading the way with exclusive flagship stores and boutiques. The flagship stores of Michael Kors, Max Mara, Kate Spade, and Ted Baker form the core from which our dynamism emanates to include concept stores at the cutting edge of fashion such as Just Cavalli, Versus, MSGM, Maison Kitsune, and D-mop. With the opening of H&M's largest global flagship store in Asia at Hang Lung Centre in October 2015, the shopping experience was taken to yet another level for the growing number of Fashion Walk fans from across the region.

Complementing the targeted mix of retailers is the regeneration of Fashion Walk's Food Street, a chic refuge from the hustle and bustle of city life. Featuring a selective mix of unique and inviting dining concepts including elBorn, COEDO Taproom, Coast Seafood and Grill, Marbling, and Elephant Grounds, we have re-positioned Food Street as the place to relax, to see and be seen in the Fashion Walk sanctuary of style.

Fashion Walk is keeping its momentum by turning concepts into realities, forging a unique environment that engages and captivates the public's imagination. Our signature annual events include the annual carnival Dine and Shine and the Spark Awards' Best Event champion, 2015, Halloween Styloween. Accolades have flooded in for the innovative branding campaign Fashion Intelligence Index, which engaged trendsetters in the city in an interactive research project that launched Fashion Walk as the place to discover fashion. It reached the very pinnacle of the marketing industry by garnering five honors in the 2015 Kam Fan Awards including for marketing excellence on an international scale. The campaign captured the prestigious Grand Kam Fan Award 2015 and the Silver Award in the Interactive category at the 2015 ONE SHOW Greater China Awards.

HANG LUNG CENTRE

Hang Lung Centre in Causeway Bay, known for its multi-trade offices, achieved a 12% rental growth from office tenants with its occupancy rate up one point to 96%.

Having developed three successful semi-retail hubs in the travel, fashion wholesale and medical sectors in Hang Lung Centre, we continue to observe stable demand for quality retail and office space in this prime asset within Causeway Bay. A series of asset enhancement initiatives has been charted progressively from 2016 to further upgrade our offering. With our continued efforts to retain and attract tenant partners of the highest quality and our investment in building facilities and customer service upgrades, we remain confident of maintaining our leading position in the various sectors in which we operate.



The largest H&M global flagship store in Asia opens at Fashion Walk in October 2015



The iconic video-game character PAC-MAN brings shoppers back in a fun-filled time warp to their happiest childhood memories

The Peak

THE PEAK GALLERIA

In order to stimulate the local market and make **The Peak Galleria** a destination of choice among locals as well as tourists, our marketing team has heightened its focus on promotional events and related activities. The Running PAC-MAN Halloween campaign was one such event which stimulated widespread interest. The event increased footfall for the month of October and brought about a 9% growth in active fans of the mall's Facebook Fanpage, which is a significant gain in our social media collateral as a base for future promotional activities.

2016 will be a year of targeted marketing to untapped opportunities in the tourist and local markets, in parallel with the commencement of the mall's asset enhancement program.

Hong Kong East

KORNHILL PLAZA

Footfall and retail sales have been buoyant as **Kornhill Plaza** is well positioned to be sheltered from the shrinkage in luxury spending. Achieved rental growth of 6% bodes well for the highly popular center of a growing community, with new entries among popular food and beverage choices including Pizza Express, A-1 Bakery, Mr. Steak, La Taste and MACCHA HOUSE. New attractions such as Stage of Playlord, Walker Shop, JJPN, Wing Bay, Coucou, Stage 2 by index plus and MDX, among others, have added spice to a friendly mix which has opened up new segments of customers, drawing beyond the mall's traditional catchment, to include neighboring districts on the Island and across the Eastern Harbor Tunnel.

Expectations for 2016 are very positive with steady growth anticipated as on-going refinement of the tenant mix will continue to enhance our competitive advantage. The upgrade works of two major anchors, namely, AEON and PARKnSHOP, in 2016 will also contribute to our targeted growth trajectory.

100%
Occupancy
Rate
(Office)



Kornhill Learnscape wins the title of Smart Parents Choice – Education Arcades in the category of Lifetime Planning in the Smart Parent's Choice – Brand Awards 2015



HONG KONG PROPERTY LEASING

Occupancy and rental revenue for the **Office Tower of Kornhill Plaza** continue on an upward trend. It will be further strengthened by quality tenants and strong brands such as Swiss Art Studio, Project Dash! and Kings Rhythmic Gymnastic Ballets, Kornhill Learnscape continues to exceed expectations with growth in brand value that has attracted mid- to high-spending households to Kornhill Plaza. In addition, the Smart Parents' Choice – Brand Awards 2015 earned by Kornhill Learnscape, is a resounding affirmation of our efforts to develop and promote this venture.

Kornhill Apartments posted rental growth of 3% despite unfavorable market conditions attributable to sluggish demand in the tourism sector and heavily discounted room rates among competing hostels and hotels.

Central

Our Central portfolio comprising Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House, generated overall rental growth of 8%.

In an attempt to articulate the historical legacy and local identity of the Duddell area in tandem with positive evolving changes in the surrounding retail landscape, a plan has been set out to identify opportunities for value creation.

In addition to the two-Michelin-star Duddell's at **1 Duddell Street** and the trendy Mott 32 in **Standard Chartered Bank Building**, two exclusive dining and lifestyle concepts have been introduced in 2015 to elevate the energy of the area. In **Baskerville House**, The First Floor by Lifestyle Federation seeks to promote its new "edutainment" concept as a lifestyle club offering a fine dining experience and lifestyle events for an affluent and discerning audience. In **Printing House**, Foxglove is an elegant bar and lounge modeled after the great drinking dens of the 1950s.

Mongkok

GRAND PLAZA

As a result of the three-year enhancement program completed in March 2015, **Grand Plaza** has enhanced its shopping ambience and trade mix. Our performance has been lifted by the strategic transformation of the shopping mall including a new dining hub to be formed in 2016. In addition, the largest Quiksilver flagship store in the region opened its doors in December 2015, generating additional sales momentum for the Mongkok district.

100%
Occupancy
Rate
(Commercial)





Shoppers of Grand Plaza join the spine-chilling zombies for a fun flash mob dance during Halloween

Targeted marketing initiatives have played a pivotal role in positioning Grand Plaza as an exciting shopping and dining destination for locals and tourists alike. Among our initiatives to leverage the power of social media was the Zombie Party Halloween event. Making full use of online to offline techniques, social media platforms and AR (Augmented Reality) technology, our efforts reaped rich rewards in viral marketing which increased both tenant sales and our own social media fan base for future enterprising promotion campaigns.

The **Office Towers of Grand Plaza** have strengthened their position as a professional medical and beauty hub in Central Kowloon. It has sustained stable growth with the acquisition of new, well-known medical practitioner tenants, as well as the recruitment of a new medical technology laboratory and the expansion of the “quality medical bloc” premises to occupy the whole floor. The outlook for 2016 is one of continued stability as we carry on assessing the feasibility of introducing new themed-floors, while continuing to look for opportunities in the medical field.



HONG KONG PROPERTY LEASING



With a total area of 4,500 square feet, the Starbucks shop grandly opens at Gala Place in December 2015



H&M unveils its full-concept flagship store in January 2016

GALA PLACE

Gala Place is firmly set on an upward trajectory of growth with popular international coffee brand, Starbucks, opening its concept store in December 2015, the only concept store of its kind in the territory. Prospects are upbeat for 2016 with the opening of the celebrated H&M full-concept flagship store on January 29, 2016, which will raise the mall's profile and enhance our positioning within the market. Again, social media platforms will be fully utilized to promote the new anchors which are fully expected to be a catalyst for the upgrade of the entire district.

PARK-IN COMMERCIAL CENTRE

Park-In Commercial Centre continues to grow as a lifestyle hub as well as being home to big-brand service centers. The opening of global direct-sales giant, Amway's new Experience Centre, has brought new energy to the tenant mix.



Local multimedia artist, Elphonso Lam, designs the Skull-Elphonso-themed installation for Amoy Plaza

Kowloon East

AMOY PLAZA

Amoy Plaza in Kowloon East has achieved a 9% rental growth in 2015. It was well supported by local consumers drawing from the Kowloon Bay business district and the adjacent new housing estates.

The upward trajectory has been facilitated by a strategic focus on tenant mix and innovative marketing activities. We have successfully managed our tenant mix, introducing new sports brand, WK Jumbo, which opened its biggest Hong Kong outlet at Amoy Plaza along with new additions such as Esprit, Extravaganza, Attachment, Little Room, and SIXTY EIGHT. We also welcomed popular Taiwan food and beverage brand, XOXO Café, in November 2015.

Successful marketing initiatives have not only drawn transitory footfall but also helped to build customer loyalty. Amoy Plaza has now positioned itself as a thriving, family lifestyle and entertainment hub. Our Go Green@Amoy Plaza event attracted a great deal of attention over the Easter holidays attracted over 15,000 people who took part in green-themed interactive games. Another 7,000 people had a go at the bicycle electricity generator game to light up a beautiful LED tree. The event was our first collaboration with the Hong Kong Science and Technology Park. Innovative use of smartphone technology turned a simple egg hunt into an engaging interactive game which encouraged customers to spread the word on social media.



HONG KONG PROPERTY SALES AND DEVELOPMENT

We build top quality residential properties in prime locations and take a highly disciplined approach to sales in order to optimize value. The result is that our properties are consistently well received in the market.

With fewer apartments sold in 2015, property sales revenue was down 88% to HK\$1,197 million. At year-end, 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 duplex units of Carmel-on-the-Hill apartments. These properties will be released for sale when market conditions are favorable.

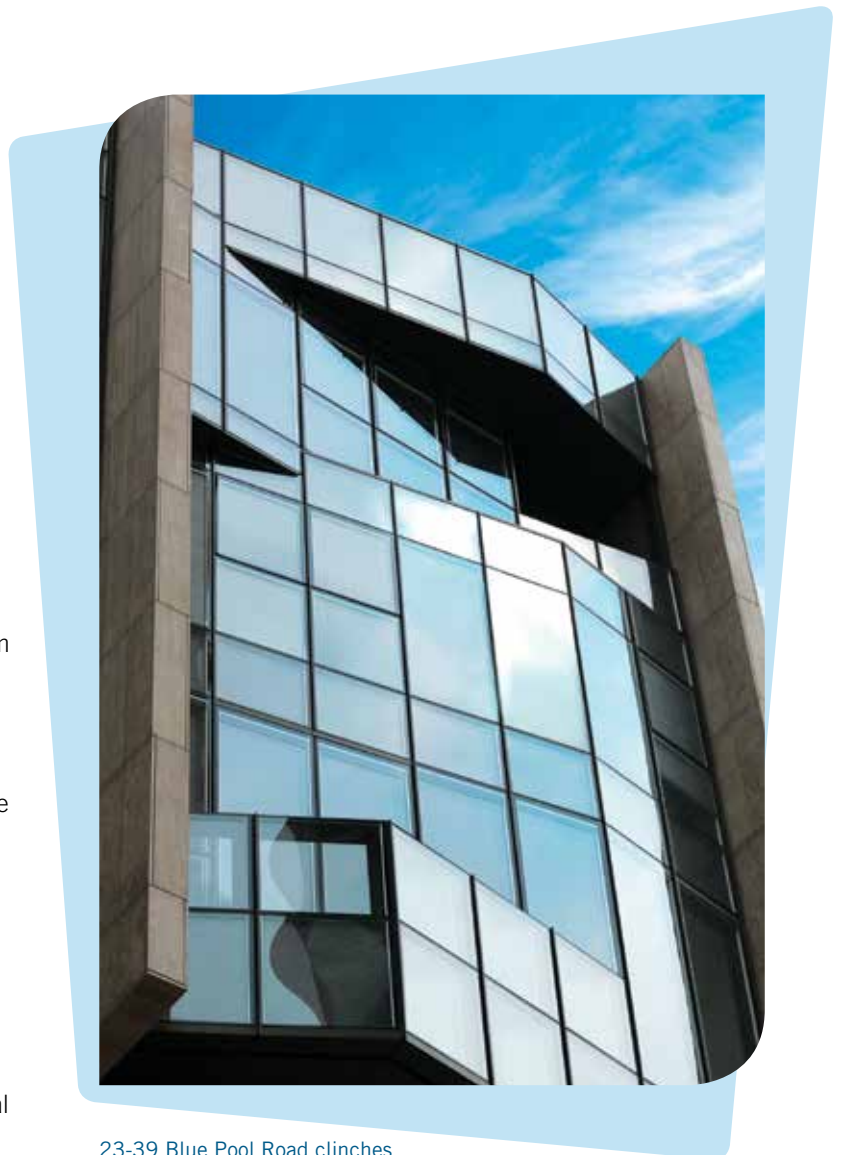
23-39 BLUE POOL ROAD

Occupying a position of unsurpassed luxury in our portfolio, the 18 stylish semi-detached houses at **23-39 Blue Pool Road** celebrate the distinctive combination of contemporary design, urban style and pastoral grace. With knowledge that the property will hold its allure and worth through the current market uncertainty and prevail as the market regains momentum, we have confidently maintained our stance that the development should only be released at prices reflective of its true asset value.

The development was awarded a Gold Level certification under the Leadership in Energy and Environmental Design (LEED) for Homes program issued by the U.S. Green Building Council and clinched the Silver award under the category of Best Residential in the MIPIM Asia Awards 2014 and Residential Architect of the Year award in the Chivas 18 Architecture Awards 2015.

THE LONG BEACH

With a prime location in southwest Kowloon, **The Long Beach** is a high-end residential complex. Comprising 1,829 units in eight towers with a distinctive wave-like design, this residential complex offers spectacular sea views. At year-end, the 672 units currently available for sale are mainly units with sea views.



23-39 Blue Pool Road clinches the Silver Award in the category of Best Residential in the MIPIM Asia Awards 2014

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.



MAINLAND CHINA PROPERTY DEVELOPMENT

As one of only a few Hong Kong property developers to establish a presence in the Mainland's commercial property market, Hang Lung has been expanding its strong Mainland portfolio with 10 world-class landmarks across eight cities.

SUMMARY OF NEW PROJECTS IN MAINLAND CHINA

	CENTER 66	FORUM 66	SPRING CITY 66	HEARTLAND 66
City	Wuxi	Shenyang	Kunming	Wuhan
City status	Major City	Provincial Capital	Provincial Capital	Provincial Capital
Province	Jiangsu	Liaoning	Yunnan	Hubei
Usage	Shopping Mall, Office, Hotel, Serviced Apartments	Shopping Mall, Office, Hotel, Serviced Apartments	Shopping Mall, Office, Serviced Apartments	Shopping Mall, Office, Serviced Apartments
Total gross floor area ('000 sq.m.)	372	800	434	460
Year of Completion	Shopping Mall: 2013 Office Tower: 2014 Remaining portions: In phases from 2019	Shopping Mall: 2012 Office Tower: 2015 Remaining portions: In phases from 2018	In phases from 2018	In phases from 2019



Following its completion, Center 66 will be the retail and commercial landmark of the central business district of Wuxi

CENTER 66 – PHASE 1 & PHASE 2, WUXI

Phase 1 of the Center 66 development comprises a shopping mall and two office towers, with the first tower already operational. Consultants have been appointed to develop the schematic design for Office Tower Two. Phase 2 of the development will comprise two serviced apartments and commercial facilities. District Government, City Planning and other Bureaus of Wuxi City are engaged in the planning stage and they are supportive of the development.

Upon completion, the Center 66 development will be the retail and commercial landmark of the central business district of Wuxi. Widely acclaimed for its innovative design, Center 66 has garnered a number of prestigious awards including the 2014 Cityscape Award for Emerging Markets in the category of Built Retail Project; the Silver Award in the category of Best-Mixed-Use Development in the 2014 MIPIM Asia Awards; and a Merit Award in The Hong Kong Institute of Architects Annual Awards 2013 in the Outside Hong Kong – Commercial Building category.



MAINLAND CHINA PROPERTY DEVELOPMENT

Spring City 66 enjoys a perfect location in the business and commercial heart of Kunming



FORUM 66, SHENYANG

Covering a gross floor area of 800,000 square meters, Forum 66 is a beacon for development among the landmarks of Shenyang's city center. Situated on the Qingnian Da Jie, known as the Golden Corridor, which runs through the city center, Forum 66 is at the center of a network of the city's proudest landmarks including the Liaoning Grand Theater, the Liaoning Provincial Museum, the ex-Municipal Government Building and City Plaza.

The Forum 66 shopping mall commenced operations in September 2012 and was joined by Office Tower One in early 2015. The low- to mid-zones of Office Tower One were handed over to tenants beginning from the first quarter of 2015, and a proposal for a hotel sitting at the top zone, on floors 49-67, is still in progress with the requisite planning approvals being processed. 2015 also saw the excavation and retaining structural works for the Phase IIIA development completed in June. Ongoing engagement with the Shenhe District Government, the Shenyang City Government, and the relevant developmental bureaus has been positive with strong support for the continued development plans of Forum 66. Moving forward, the main thrust of work for 2016 will be the infrastructure works for the hotel project.

The Forum 66 Office Tower blends futuristic architectural concepts with world-class facilities

SPRING CITY 66, KUNMING

The official ground breaking for Spring City 66 in November 2012 inaugurated a transformation of the business and commercial district of Kunming with plans for a world-class shopping mall, a Grade A office tower and serviced apartments. Commanding a central position in the city, Spring City 66 covers a total gross floor area of 434,000 square meters (ground level and above and B1 commercial area, excluding car park areas).

Ongoing works are progressing well with initial piling work completed in mid-2014 and additional piling works in early 2016. With the substructure of the office tower already underway and progressing smoothly, the substructure works for the serviced apartment



The sky garden at Heartland 66's rooftop

tower began in December 2015. Our teams have been working closely with consultants to address technical challenges that are par for course on a project of this scale. Active engagement has been undertaken at the construction stage with government departments and the local community. Basement to ground-level works and work on the superstructure for the low zone of the office tower schedule for the fourth quarter of 2016.

The whole project is targeted for completion, in phases, from 2018, with due emphasis on construction in line with our high environmental and quality standards. Spring City 66 was awarded precertification under the Leadership in Energy and Environmental Design (LEED) for Core and Shell Developments – Gold Level, issued by the U.S. Green Building Council.

HEARTLAND 66, WUHAN

Comprising a world-class shopping mall, a Grade A office tower, and serviced apartments, and covering a total gross floor area of 460,000 square meters (ground level and above and B1 commercial area, excluding car park areas), Heartland 66 will be Hang Lung's 10th development on the Mainland and will stand as yet another proud landmark in a fast-growing city.

Land for the development was acquired in February 2013 and the official ground breaking ceremony took place in November 2013. Construction progress to-date is on schedule despite increased difficulty in basement excavation. Completion of foundation works and the commencement of construction for the basement structure are expected by mid-2016, and the project is scheduled for completion in stages from 2019.

In keeping with our design and construction focus on quality and sustainable development, the Heartland 66 development was awarded precertification under the Leadership in Energy and Environmental Design (LEED) for Core and Shell Developments – Gold Level, issued by the U.S. Green Building Council in 2014.



MAJOR PROPERTIES OF THE GROUP

A. MAJOR PROPERTIES UNDER DEVELOPMENT

At December 31, 2015

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	Stage of Completion	Expected Completion Year
MAINLAND CHINA						
SHENYANG						
Forum 66	Qingnian Da Jie, Shenhe District	92,064	M/H/O/S	507,297	Infrastructure work	2018 onwards
WUXI						
Center 66 (Phase 1)	Renmin Zhong Lu, Liangxi District	37,324	O	56,034	Planning	
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	M/H/O/S	108,980	Planning	
KUNMING						
Spring City 66	Dongfeng Dong Lu, Panlong District	56,043	M/O/S	433,500	Foundation	2018 onwards
WUHAN						
Heartland 66	Jinghan Da Dao, Qiaokou District	82,334	M/O/S	460,000	Foundation	2019 onwards

M: Mall

H: Hotel

O: Office

S: Serviced Apartments

All the above properties are wholly owned by Hang Lung Properties

B. RESIDENTIAL PROPERTIES COMPLETED FOR SALE

At December 31, 2015

	Location	Site Area (sq.m.)	Total Gross Floor Area (sq.m.)	No. of Residential Unit for Sale	No. of Car Parking Spaces for Sale
HONG KONG					
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	8,585	18	36
The HarbourSide	1 Austin Road West, KIL 11080	13,386	419	2	138
The Long Beach	8 Hoi Fai Road, KIL 11152	20,200	56,026	672	–
Carmel-on-the-Hill	9 Carmel Village Street, KIL 11122	1,421	286	2	14

All the above properties are wholly owned by Hang Lung Properties



MAJOR PROPERTIES OF THE GROUP

C. MAJOR INVESTMENT PROPERTIES

At December 31, 2015

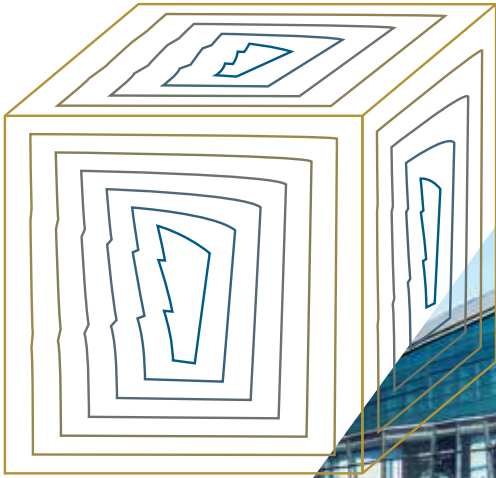
	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			No. of Car Parking Spaces
			Commercial	Office and Industrial/Office	Residential and Serviced Apartments	
HONG KONG						
CENTRAL						
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI						
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	31,072	–	7,935	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	–	16,313	–	42
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
THE PEAK AND MID-LEVELS						
The Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
Nos. 2&3 Garden Terrace, Block 2	8A Old Peak Road, IL 896 & IL 2850	2078 & 2886	–	–	558	12
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Park-In Commercial Centre/Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
Carmel-on-the-Hill	9 Carmel Village Street, KIL 11122	2050	2,131	–	–	11

Location	Lease Expiry	Total Gross Floor Area (sq.m.) [#]			No. of Car Parking Spaces	
		Commercial/ Mall	Office and Industrial/ Office	Residential and Serviced Apartments		
HONG KONG						
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	422
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	390
NGAU TAU KOK						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
KWAI CHUNG						
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	3,109	–	–	172
MAINLAND CHINA						
SHANGHAI						
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	120,188	–	–	835
Plaza 66	1266 Nanjing Xi Lu, Jing'an District	2044	53,700	159,555	–	804
SHENYANG						
Palace 66	128 Zhongjie Lu, Shenhe District	2057	109,307	–	–	864
Forum 66	1 Qingnian Da Jie, Shenhe District	2058	101,960	190,745	–	2,139
JINAN						
Parc 66	188 Quancheng Lu, Lixia District	2059	171,074	–	–	789
WUXI						
Center 66 (Phase 1)	139 Renmin Zhong Lu, Liangxi District	2059	118,135	88,560	–	1,292
TIANJIN						
Riverside 66	166 Xing'an Lu, Heping District	2061	152,831	–	–	800
DALIAN						
Olympia 66	66 Wusi Lu, Xigang District	2050	221,900	–	–	1,214

* With an option to renew for a further term of 75 years

Gross floor area of mainland China investment properties includes gross floor area above and below ground

Solid Foundation



Parc 66,
Jinan



Hang Lung finds its unfaltering strength in prudent and comprehensive financial management strategies to maintain a strong financial position with a high degree of flexibility to meet the Company's capital commitments and long-term business plans.



Grand Gateway 66, Shanghai



Forum 66, Shenyang



74 FINANCIAL REVIEW

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

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

Name and City of the Property	Revenue			Occupancy Rate at Year-end 2015	
	2015 HK\$ Million	2014 HK\$ Million	Change	Mall	Office
Shanghai Plaza 66	1,669	1,618	+3%	97%	98%
Shanghai Grand Gateway 66	1,196	1,157	+3%	97%	N/A
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	4,194	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			Occupancy Rate at Year-end 2015
	2015 HK\$ Million	2014 HK\$ Million	Change	
Commercial	1,972	1,832	+8%	98%
Office and Industrial/Office	1,140	1,048	+9%	95%
Residential and Serviced Apartments	316	295	+7%	75%
Car Parking	129	125	+3%	N/A
Total	3,557	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 4% 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 5%, on a like-for-like basis when excluding the renovation impact. Retail sales of the Causeway Bay portfolio was up 14%. Amoy Plaza gained 9% in retail sales, and that of Grand Plaza 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	30,102	96.2%	35,515	88.9%
HKD	1,181	3.8%	4,425	11.1%
USD	6	–	6	–
Total cash and bank balances	31,289	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 USD3 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.

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



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:

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

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 USD500 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 purposes 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 developments 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. USD1,000 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.



Sincerity to
Sustainability



Hang Lung brings a great deal of benefit to the communities in which it finds itself and yet recognizes its own reliance on and responsibility for the common good. As a good corporate citizen, Hang Lung commits itself to the sustainable growth of its whole ecosystem from its staff to the wider community and the environment.



Hang Lung is dedicated to integrating sustainability in every facet of our business, living up to our business philosophy of We Do it Right. We apply this philosophy to the way we build our properties, refine our image, engage with the community, nurture partnerships with stakeholders and invest in the development of our workforce. The value that we achieve as a business comes from the value that we derive from our employees, communities and the environments we operate in.

To crown the year of 2015, Hang Lung received the honor of the Sustainability Excellence Award in the Hong Kong Corporate Governance Awards 2015. These awards are co-organized by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University. This honor acknowledges the achievements made by listed companies in their corporate governance and the sustainability measures they implement.

OUR BUILDINGS

As a foremost player in the industry, it is our responsibility to lead by example. We fulfill this duty through the design, construction and management of our properties. We adhere strictly to our business model, which can be summed up as building to own and building to last. Our long-term investment in the optimization of all aspects of our properties is bearing rich fruit, gaining recognition from a broad range of industry-focused organizations, community groups and our peers. In Hong Kong, we were pleased that our iconic property, The Peak Galleria, became the first existing building in Hong Kong to achieve a Gold Rating of Final Assessment under the Beam Plus Version 1.1 from the Hong Kong Green Building Council (HKGBC). This recognition is a testament to the dedication that our team has demonstrated in enhancing the properties we own and making them unique examples in the industry.

In mainland China, amidst a challenging environment due to a slower retail market and a sluggish economy, we have to date achieved a total of ten certifications and precertifications under the Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level. These include the precertification gold standard for our most recent world-class commercial project, Olympia 66 in Dalian, which has been widely acclaimed for its innovative design and outstanding architecture.



The Peak Galleria achieves a Gold Rating of Final Assessment under the BEAM Plus Version 1.1 (Existing Building)



Volunteers introduce green facilities to primary school students at Green Terrace of The Peak Galleria

In 2015, our Company's initiatives in utilizing the latest technologies to enhance our energy efficiency and promote environmental consciousness have reshaped our portfolio. We are striving to improve our environmental efficiencies still further by reducing the water intensity of our buildings by 24% and by cutting overall electricity intensity by 18% compared to our 2012 and 2010 baselines respectively.

By meticulously tracking our progress, we seek to improve the way we compile and organize our environmental data and hence improve our operations. We are constantly introducing new measures that enable our people and our buildings to reduce their impact on the environment. In 2015, we continued to disclose our carbon data as part of the Carbon Footprint Repository for Hong Kong Listed Companies, and we have set the goal of further reducing our carbon footprint in response to the recent global consensus reached in combatting climate change.

It is these actions that define us as a responsible business. With our company-wide environmental policy, we aim to ensure that our dedication to environmental sustainability shines through every action we take. We make strenuous efforts to make sure that our staff, contractors and suppliers are closely aligned in all their operations, and that they are fully aware of and accountable to the needs of the environment, the climate and the biodiversity of the locations where we operate.



A total of 160 university students from Hong Kong and overseas join the TEAMS day to compete to join Hang Lung as management trainees

OUR PEOPLE

At Hang Lung, we fully understand that there is a clear-cut connection between the development of our employees and the growth of our business. To attract and retain the best talent, we continue to take a strategic and progressive approach to manage our people.

In 2015, the Company renewed our focus on providing comprehensive training programs. These build on the established expertise of our operational staff through the Hang Lung Star Service Campaign, and that of our management teams in specialised courses on crisis management.

As a totally people-oriented Company, our commitments to promoting a healthy work-life-balance for our employees go far beyond the workplace. As the winner of the Distinguished Family-Friendly Employer and Employer of Choice Award, Hang Lung is proud to be recognized as a big, happy family enterprise. With our Employee Wellness Program, we hold events such as Health Day to provide professional counselling services and monitor the physical and psychological wellbeing of all of our employees.

Hang Lung firmly believes that for our employees to excel, we must win their hearts and minds. To realize this goal, we have been consistent in bestowing on our employees the recognition they deserve. For example, we present long-service awards to staff that have been with Hang Lung for ten years or more. We have also launched the Emerald Award, an initiative that motivates our staff to Go the Extra Mile in their work. These are among the means by which we recognize the tireless commitment and contributions of our staff.

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



Chairman Ronnie C. Chan (right) presents the Long-Service Award to a staff who has served in the Company for 25 years



Volunteers lead about 100 secondary school students to explore the history of Hong Kong through a series of Architectural Tours



Volunteers bring a group of primary school students to understand the ecological environment

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.

OUR COMMUNITY

Hang Lung takes great pride in the support we give to the communities we serve. With the ever-growing size of our Hang Lung As One volunteer teams, our Company can increasingly engage with the community, including through initiatives that foster youth development, promote environmental protection and support the elderly population.

In 2015, Hang Lung As One volunteer teams organized over 100 activities with over 14,000 service hours logged, a 20% increase over the previous year.

In Hong Kong, the volunteer team organized tours for youngsters to raise their interest in and awareness of Hong Kong's architectural heritage and development history. In the innovative Back to Teenage, Be an Arty-Youth series, volunteers accompanied senior citizens in experiencing and enjoying the fashionable activities that are popular with the younger generation, including coffee-tasting, floral tea-brewing and picnics. Staff volunteers also took part in a series of green activities such as planting trees and cleaning beaches.





On the Mainland, we launched a host of successful initiatives. These included staff volunteers joining with the Hongmeiting Public Service Centre in Xuhui, Shanghai, to hold a Hang Lung Green LEEDers activity. At this event, children learned the importance of environmental protection and green living by playing board games. In other events, our volunteer teams brought joy and care to the elderly. Volunteers and colleagues from Palace 66, Parc 66, Riverside 66 and Spring City 66 visited nursing homes to give song and dance performances, bringing joy to the grateful communities.

COMMUNITY ENGAGEMENT

An integral element of how We Do It Right at Hang Lung is through consultation and integration with our community stakeholders. We work closely with the community during the entire lifecycle of our buildings to ensure that their environmental impacts are minimized and our values are upheld.

We are dedicated to building properties that are mindful of the environment and are fully integrated with the social fabric of the surrounding community. To achieve this we are deeply committed to assessing the way we conduct our business locally and to creating unique initiatives that promote social integration by enhancing our properties' accessibility and connectivity to local residents.

OUR PARTNERSHIPS

In 2015, we continued to work closely with staff and suppliers to ensure honesty and integrity throughout the tendering process. We focused on the occupational health and safety of our contractors and on increasing the quantity of environmentally responsible materials used in our buildings. We have been working with our tenants and customers to ensure that they are satisfied with our services.



Olympia 66 promotes the green living messages to local citizens



The Hang Lung Center for Real Estate at Tsinghua University (HLCRE) has published over 60 academic essays and books, held a number of international and domestic seminars, talks, student contests and international essay competitions in 2015

With the retail and real estate markets constantly changing, and the mode of consumption becoming more diversified, our staff are constantly adapting to meet the expectations of our tenants and customers. To effectively track these expectations and requirements, we started customer satisfaction surveys, allowing us to develop better programs and to work more closely in concert with all our stakeholders.

We believe that strengthening our partnerships will help us drive forward our sustainability vision while at the same time enabling us to make positive and long-lasting impacts on the communities we support. For example, The Hang Lung Center for Real Estate at Tsinghua University, established in 2010 with a donation of HK\$30 million from Hang Lung Properties, has become a leader in real estate academic research and development. The Center continues to organize and partner with a number of important events, including The 4th International Workshop on Regional, Urban, and Spatial Economics in China. This brought together 100 scholars and chief editors from authoritative social science and city planning journals to share their views on the house market and the urbanization trends in China.

Industrial and market research is an integral element in the strategic development of our business. To demonstrate the importance of this, we recently donated HK\$1 million to the Institute of Global Economics and Finance of the Chinese University of Hong Kong. The Institute conducts research into the open door policy of the Mainland's financial system and teaches students international finance and banking.



Pages 112 to 114 of the Corporate Governance Report set out details of our risk management and internal control systems.

MANAGING PRINCIPAL RISKS

The principal risks that the Company faces may not change significantly from year to year, although the magnitude and importance of these risks can and do vary, as described below:

Property Development Risk

The ability to acquire suitable land for development is critical for the Company in order to sustain its continuous growth and desired return on investment. Heavy capital investment and government policies, coupled with a long investment period and market cycles, are challenges and opportunities presented to us in forming our land acquisition strategy. A long-term expansion strategy for mainland China has been adopted to smooth out short-term changes and fluctuations.

Changes in government policies and regulations could impact our project development. Our project team is kept abreast with these updates and the effects are properly addressed. Taking a long-term view, as aforementioned, also helps to spread the effect on political and regulatory changes.

Complexity of design and tight deadlines present implementation challenges to deliver our projects on budget, on time and in line with required quality. Guided by our business philosophy of We Do It Right, we design and build projects that exceed minimum environmental standards.

In light of these requirements, our project team closely monitors the projects' progress and evaluates and approves any necessary changes to the design or construction works while the project is under development. Roles and responsibilities for accountability and division of duties are clearly defined among the departments of Project Planning, Project Construction, Cost and Controls and Leasing & Management at various stages of the development cycle. Our project teams make regular and comprehensive reports to the Board, while close management supervision enables well-informed executive decisions to be made promptly.

Business and Operational Risk

We ensure our properties remain competitive and up to the highest standards by closely monitoring the business environment and market trends. However, changes in market economic conditions, such as the weaker overall economy of mainland China as well as slower retail growth especially for luxury goods in recent years, could significantly impact our business performance. Any political instability and uncertainties in mainland China and Hong Kong could limit our ability to deliver on our strategies.

Consumer behavior and taste, partly driven by the fast paced and/or disruptive technology innovations such as e-commerce and mobile applications, are changing rapidly. We need to stay tuned to the needs of our tenants and shoppers, and continue to revise our modus operandi as appropriate. For example, the introduction of the customized Customer Relationship Management program, social media marketing, and so on, will help us understand the market needs and direct our products and services accordingly.

Our operations in mainland China may also be exposed to the risk of changes in regulations/policies, which may impact our operating results and financial conditions. Regular updates plus the provision of training on regulatory changes are conducted by internal experts, external regulatory bodies or advisors with regard to our position and hence enable us to react as early as possible.

Major external disasters, such as a disease pandemic, pollution, floods, earthquake etc., may impact on our assets and our business operations, and hence reduce our earnings. Appropriate insurance coverage as well as crisis management plans to deal with these hazards have been put in place to safeguard our assets and to ensure business continuity.

People Risk

Strong competition for talented staff and the tight labor markets in the property management industries, together with the added demands from new projects, posed a challenge to the Company in providing adequate resources to support the existing and growing business.

In order to attract, motivate and retain talented employees, we evaluate our employee remuneration packages periodically and monitor them against market trends. Through our Nomination and Remuneration Committee, we ensure that the Company's remuneration levels for Directors and senior management remain competitive in the market. To support continuous professional development, we provide training or financial assistance for those attending recognized professional programs. In addition, programs for management trainees, staff secondments and rotation are established to ensure our leasing operations and development projects are supported by adequate talents.

The sudden loss of key management members is another risk which may affect our ability to deliver on our strategies. A succession plan for key management team members is therefore established.

The Company is committed to the highest standards of openness, probity and accountability. All employees are expected to conduct themselves with integrity, impartiality and honesty. In line with our commitment, a whistleblowing mechanism has been put in place for our employees and other third parties such as contractors and



tenants to raise in confidence serious concerns about misconduct, fraudulent activities or malpractices in any matter related to the Company. Clearly-established communication channels and a grievance reporting system are in place for all levels of staff.

Treasury Risk

In keeping with the principle of prudent financial management, we have processes in place to identify and manage risks associated with our treasury operations.

(a) Interest Rates and Foreign Exchange

Most of the Company's borrowings are floating-rate bank loans, which expose us to rising interest rates. We closely monitor the interest rate risk and when appropriate adopt measures to manage the associated risk – including but not limited to the issuance of fixed rate bonds, the use of derivatives such as interest rate swaps and management of the ratio of fixed/floating loan portfolio.

Our business in mainland China has by its nature translational foreign currency risk from the capital investments, and transactional foreign currency risk which arises due to the mismatch of revenue generated in mainland China while debts and/or payments are in other currencies.

We manage our Renminbi exchange rate risk prudently for maximum protection. Our recurring rental revenue in Renminbi provides a natural hedge for these investments. We also maintain an appropriate level of Renminbi resources to meet the Company's capital requirements for our ongoing projects in mainland China.

The US Dollar exchange rate risk is considered not significant as our net exposure to the US Dollar is minimal and the HK Dollar is pegged to the US Dollar under the prevailing pegged exchange rate regime in Hong Kong.

(b) Cash Management, Funding and Liquidity

Markets liquidity may change from time to time and limit our ability to borrow adequate and cost-effective funding when needed. As such, a treasury team is established to manage our cash and financing at corporate level, to build closer lender relationships for better borrowing terms, as well as to maintain flexibility and thus practice coherent financial risk management.

To meet our financial obligations, the Company maintains sufficient funds, banking facilities and multiple fund raising channels. The maturity of deposits and loans is carefully planned and managed to reduce liquidity risk. The Company closely monitors the markets to manage the refinancing risks in a prudent manner.

(c) Credit/Counterparty

Credit/counterparty risk exposure is primarily in the areas of rents receivable, installments receivable relating to property sales, and deposits placed with banks.

We undertake careful credit assessments of prospective tenants, collect rental deposits and closely monitor outstanding rents in order to mitigate rents receivable risk. We also protect receivables related to property sales by using properties as collateral. Bank exposure limits are assigned so that we can mitigate concentration risks on our deposits, which are made only with banks that have sound financial strength and/or good credit ratings.

(d) Use of Derivatives

Our earnings may be impacted by marked to market fair value gains/losses according to Hong Kong Financial Reporting Standards. To minimize our exposure on this, we use derivative instruments for hedging purposes only. The Company's policies do not permit entering into derivative transactions for speculative purposes.

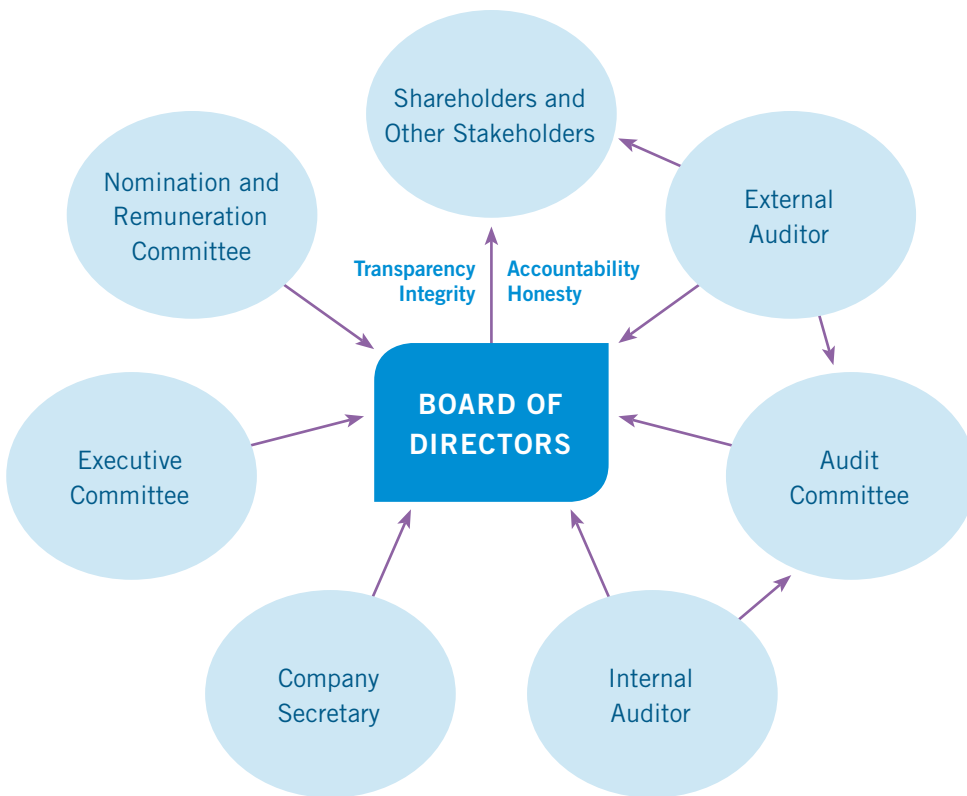


Over the past year, the retail environment in Hong Kong and mainland China have been undergoing a period of market correction, and it is expected to continue into 2016. In face of the risks and challenges associated with sluggish economy and slower markets, Hang Lung has further strengthened our corporate governance, particularly in risk management which is integral to delivering our corporate strategies and ensuring the sustainability of our business. In 2015, the Board began formalizing and institutionalizing an ERM system. Hang Lung believes that a well established strong corporate governance structure with sound corporate culture is essential to our sustainable growth and long-term success.

OUR STRONG BELIEF IN GOVERNANCE

Hang Lung firmly believes that strong governance is the foundation for delivering the corporate objective of maximizing return to its stakeholders over the long term. The core of the governance structure is an effective and qualified Board which is committed to maintaining highest standard of corporate governance, sound internal control and effective risk management to enhance transparency, accountability, integrity and honesty, in order to earn the confidence of our shareholders and other stakeholders.

CORPORATE GOVERNANCE STRUCTURE



A SOUND CORPORATE CULTURE

As good governance is essential to corporate success, we have always been proud of our We Do It Right principle that has guided us to operate our business with integrity and honesty. A sound governance culture has to reach all levels and the highest standards of integrity and honesty from every employee in every process are expected. The professional management together with the Board strive to instill integrity into every aspect of our business and maintain the highest standards of corporate governance in every city where the Company is operating its world-class projects.

PROFESSIONAL AND RESPONSIBLE BOARD

The Board comprises professionals from different facets of society who bring a wide range of business and financial experience and expertise to the Board. The Board includes a balanced composition of Executive and Non-Executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgment. To enhance the function of the Board, three Board committees, namely the Executive Committee, Audit Committee and Nomination and Remuneration Committee had been set up to take up different responsibilities.

PRUDENT RISK MANAGEMENT

The Company recognizes the various risk factors it will face in its operations, and properly deals with them in a manageable manner by setting a good internal control environment and making continuous improvements to suit changing operational needs. Further explanations are disclosed hereunder and in the Risk Management section of this annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As good corporate citizens, we have adopted and fully complied with, and in many cases exceeded, the code provisions and some recommended best practices of the CG Code.



The following are the major aspects of our corporate governance practice in addition to the code provisions and some recommended best practices of the CG Code.

- Six regular Board meetings were held in 2015.
- A strong independent element is maintained on the Board as over half of the Board is represented by Independent Non-Executive Directors.
- Management is invited to join the Board meetings, where appropriate, to provide appropriate information to enable the Directors to make an informed decision and to discharge their duties and responsibilities.
- The Nomination and Remuneration Committee is made up of entirely Independent Non-Executive Directors to ensure no Executive Director is involved in deciding his own remuneration package.
- The Audit Committee met the external auditor four times without the presence of the Executive Board members in 2015.
- Since 2008, the Company has announced its interim and annual results within one month from the end of the accounting period.
- Our Internal Audit Department is independent of our daily operation and accounting functions.
- The Company has adopted a corporate Code of Conduct since 1994 which is applicable to all staff and Directors. The Code of Conduct contains our well-defined whistleblowing policy.
- The Company has been publishing a separate Sustainability Report before the Stock Exchange's introduction of the Environmental, Social and Governance Reporting Guide as a recommended practice for the financial years ending after December 31, 2012. The standalone Sustainability Report is available on our website and the website of HKEx.
- The Company continuously enhances its website as a means of communication with stakeholders. Principal corporate governance structures, newsletters and webcasts of analysts' briefings are available on our website.
- The Company has reviewed the policy governing the engagement of the external auditor for non-audit services to ensure the independence of the external auditor.
- In addition to the Chairman's Letter to Shareholders, the Chairman explains to the shareholders the business strategies and outlook of the Group in the AGM and proactively opens a dialogue with shareholders.

(I) Effective and Qualified Board

1. Composition, Board Diversity, Functions, and Board Process and Access to Information

Composition

The Board currently comprises ten persons:

- three Executive Directors, namely, Mr. Ronnie C. Chan, Mr. Philip N.L. Chen and Mr. H.C. Ho; and
- seven Independent Non-Executive Directors, namely, 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. Board members possess diverse academic and professional qualifications or related financial management expertise and bring a wide range of business and financial experience to the Board.

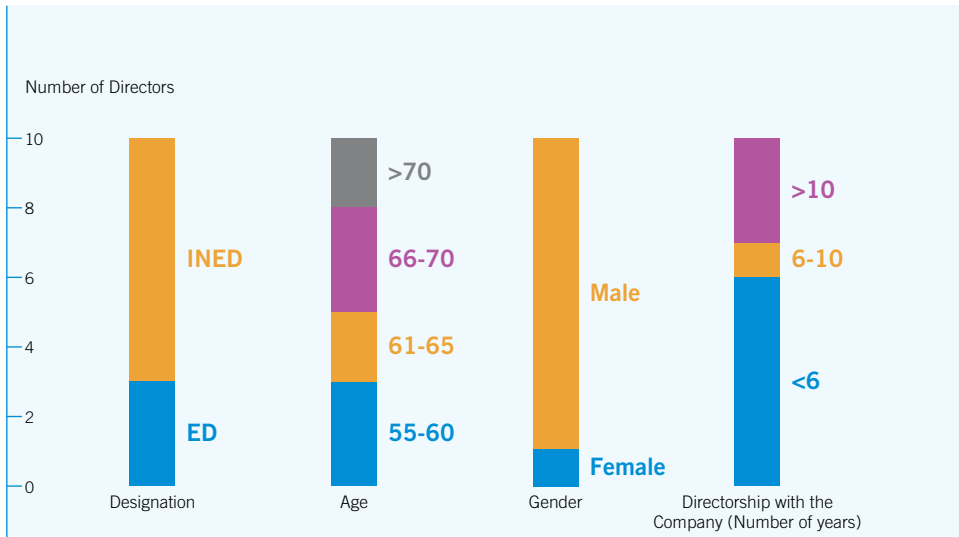
Board Diversity

The Board has established a policy setting out the approach to achieve diversity on the Board (the Board Diversity Policy) with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The Board Diversity Policy is available on our website under Board of Directors of Corporate Governance of the Investor Relations section.

The Board Diversity Policy was taken into account by the Nomination and Remuneration Committee and the Board in the appointments of Prof. H.K. Chang and Ms. Anita Y.M. Fung as Independent Non-Executive Directors in April and May 2015 respectively. The diversity of the Board was further enhanced in terms of balance of skills, experience and professional background. The current Board consists of a diverse mix of Board members with appropriate skills and experience to lead and oversee the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.



DIVERSITY MIX AS AT DECEMBER 31, 2015



Remarks

ED – Executive Director(s)

INED – Independent Non-Executive Director(s)

Functions

An updated list of Board members identifying their roles and functions and whether they are Independent Non-Executive Directors is maintained on our website and the website of HKEx. Their biographical details, disclosed on pages 122 to 126 of this annual report, are also maintained on our website under Board of Directors of Corporate Governance of the Investor Relations section.

The Board is responsible for, among other things:

- ensuring continuity of leadership;
- development of sound business strategies;
- availability of adequate capital and managerial resources to implement the business strategies adopted; and
- adequacy of systems of financial and internal control and conduct of business in conformity with applicable laws and regulations.

Independent Non-Executive Directors have made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments. They have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

All Directors are required to disclose to the Company their offices held in public companies or organizations and other significant commitments.

In 2015, six regular Board meetings were held. Two Board meetings were held during offsite Board trips. Details of Directors' attendance records in 2015 are set out below:

Directors	Meetings Attended/Held			
	Board	Audit Committee	Nomination and Remuneration Committee	2015 AGM
Independent Non-Executive Directors				
S.S. Yin ^(Note 1)	2 / 2	N/A	N/A	0 / 1
Ronald J. Arculli	5 / 6	N/A	1 / 1	1 / 1
H.K. Cheng ^(Note 1)	2 / 2	2 / 2	1 / 1	1 / 1
Laura L.Y. Chen ^(Note 2)	1 / 2	2 / 2	1 / 1	0 / 1
P.W. Liu ^(Note 3)	6 / 6	2 / 2	1 / 1	1 / 1
Dominic C.F. Ho	6 / 6	4 / 4	1 / 1	0 / 1
Nelson W.L. Yuen	5 / 6	N/A	N/A	1 / 1
Andrew K.C. Chan ^(Note 4)	6 / 6	2 / 3	N/A	1 / 1
H.K. Chang ^(Note 5)	4 / 4	2 / 2	N/A	1 / 1
Anita Y.M. Fung ^(Note 6)	4 / 4	1 / 1	N/A	N/A
Executive Directors				
Ronnie C. Chan	6 / 6	N/A	N/A	1 / 1
Philip N.L. Chen	6 / 6	N/A	N/A	1 / 1
H.C. Ho	6 / 6	N/A	N/A	1 / 1

Notes

1. Mr. S.S. Yin and Dr. H.K. Cheng resigned as Directors on April 29, 2015.
2. Ms. Laura L.Y. Chen passed away on May 18, 2015.
3. Prof. P.W. Liu ceased to be a member of the Audit Committee and the Chairman of the Nomination and Remuneration Committee with effect from April 29, 2015.
4. Dr. Andrew K.C. Chan was appointed a member of the Audit Committee on March 13, 2015. He was re-designated from Non-Executive Director to Independent Non-Executive Director on December 24, 2015.
5. Prof. H.K. Chang was appointed a Director on April 17, 2015 and a member of the Audit Committee and of the Nomination and Remuneration Committee on April 29, 2015.
6. Ms. Anita Y.M. Fung was appointed a Director on May 5, 2015 and a member of the Audit Committee on August 4, 2015.



Board Process and Access to Information

All Directors can give notice to the Chairman or the Company Secretary if they intend to include matters in the agenda for Board meetings. Board or committee papers will be sent to all Directors or committee members at least three days before the intended date of a Board meeting or committee meeting respectively. Management also supplies the Board and its committees with sufficient information and explanations so as to enable them to make an informed assessment of financial and other information put before the Board and its committees for approval. Management is also invited to join Board meetings where appropriate.

Furthermore, management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the Listing Rules.

All the Directors are entitled to have access to timely information in relation to our business and make further enquiries where necessary, and they can have separate and independent access to management.

In addition, all Directors have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chairman and to the Board on corporate governance and the implementation of the CG Code. The Company Secretary has confirmed that she took no less than 15 hours of relevant professional training in 2015.

Procedures have also been agreed by the Board to enable Directors to seek independent professional advice at the Company's expense.

Under the Articles of Association, a Director shall not vote or be counted in the quorum in respect of any transaction, contract or arrangement in which he/she or any of his/her associates is/are materially interested unless otherwise stated.

We have also arranged appropriate insurance cover on directors' and officers' liabilities in respect of legal actions against them arising from corporate activities. The insurance is reviewed every year to ensure fair and sufficient coverage is made.

2. Clear Division of Responsibilities between Chairman and Managing Director

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority.

Chairman

The Chairman, Mr. Ronnie C. Chan, provides leadership for the Board. He is responsible for ensuring that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable and that Directors are properly briefed on issues arising at Board meetings. He also ensures that:

- the Board works effectively and discharges its responsibilities;
- all key and appropriate issues are discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established; and
- appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

He, at least annually, holds meetings with the Independent Non-Executive Directors without the Executive Directors being present.

He is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda, or delegates such responsibility to the Company Secretary.

He encourages all Directors to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company. He encourages Directors with different views to voice their concerns, allows sufficient time for discussion on issues on which the Board can deliberate and reach decisions.

He promotes a culture of openness and debate by facilitating the effective contributions of Independent Non-Executive Directors in particular and ensures constructive relations between Executive Directors and Independent Non-Executive Directors.

He also arranges suitable training to Directors to refresh their knowledge and skills.



Managing Director

The Managing Director, Mr. Philip N.L. Chen, is a member of the Executive Committee of the Company and is responsible for:

- leading the management team to operate the business of the Company and implementing policies and strategies adopted by the Board;
- the Company's day-to-day management in accordance with the instructions issued by the Board;
- developing strategic operating plans that reflect the objectives and priorities established by the Board and maintaining operational performance; and
- ensuring the adequacy of risk management, financial and internal control systems and the conduct of business in conformity with applicable laws and regulations.

The Managing Director chairs the monthly meetings of the Company's various operational divisions. He reports to the Board from time to time on matters of material importance.

To cope with the fast pace of expansion and the ever-changing operating environment, management, under the leadership of the Managing Director, has put great effort in enhancing our operating system as well as our corporate culture with a regular integrity program for our staff. These reflect the way Hang Lung runs its business – We Do It Right.

3. Independence of Non-Executive Directors

We have received from each of our Independent Non-Executive Directors an annual confirmation of his/her independence and we consider the Independent Non-Executive Directors are independent.

Dr. Andrew K.C. Chan and Mr. Nelson W.L. Yuen were respectively re-designated from Non-Executive Director to Independent Non-Executive Director on December 24, 2015 and November 10, 2014. Other than holding the offices of Non-Executive Directors immediately prior to the re-designations, they confirmed that they had satisfied all factors set out in rule 3.13 of the Listing Rules in assessing their independence. As disclosed in the announcements of the Company dated December 24, 2015 and November 10, 2014, they had not held any executive or management function or position in the Company or its subsidiaries since their appointments as Non-Executive Directors. In view of the above, the Company considered that they met the independence requirements of the Listing Rules.

To further enhance accountability, any appointment of an Independent Non-Executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. We will state in the notice of the AGM the reason why we consider the Independent Non-Executive Director is still independent and our recommendation to shareholders to vote in favor of the re-election of such Independent Non-Executive Director.

4. Appointment, Re-election and Removal

In accordance with the Articles of Association, one-third of the Directors are required to retire from office by rotation for re-election by shareholders at an AGM, and new appointments to the Board are subject to re-election by shareholders at the upcoming general meeting. In addition, every Director is subject to retirement by rotation at least once every three years. Names of such Directors eligible and offer themselves for re-election, being accompanied by detailed biographies, will be stated in the notice of the general meeting.

The Independent Non-Executive Directors are appointed for specific terms, which coincide with their expected dates of retirement by rotation at least once every three years.

5. Directors' Continuous Professional Development

Every newly appointed Director will meet with fellow Directors and key executives, and will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment. Subsequently, he/she will receive any briefing and professional development necessary to ensure he/she has a proper understanding of the Company's operations and business and full awareness of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements, and especially the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of Directors. In 2015, the Company arranged for the newly appointed Directors site visits to our Mainland properties/projects.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In 2015, the Company arranged for Directors a three-day workshop, which led to, inter alia, formalized ERM framework.



Record of training received by each existing Director in 2015 is summarized below:

Directors	Types of Training
Ronnie C. Chan	A, B, C, D
Philip N.L. Chen	A, B, C, D
Ronald J. Arculli	A, B, C, D
P.W. Liu	A, B, C, D
Dominic C.F. Ho	A, B, D
Nelson W.L. Yuen	A, B, D
Andrew K.C. Chan	A, B, C, D
H.K. Chang	A, B, D
Anita Y.M. Fung	A, B, C, D
H.C. Ho	A, B, D

- A Attending seminar(s)/forum(s)
- B Reading materials relating to general business, property development and investment, directors' duties and responsibilities and so on
- C Giving talks to external seminar(s)/forum(s)
- D Attending corporate event(s)/visit(s)

(II) Delegation by the Board

The Executive Committee, Audit Committee and Nomination and Remuneration Committee were formed in 1989, 1999 and 2003 respectively.

1. Executive Committee

The Executive Committee of the Board was formed in 1989. Its members are all the Executive Directors of the Company, who meet regularly to establish the strategic direction of the Company, and to monitor the performance of management. Clear terms of reference have been adopted by the Board, and guidelines were also set up for certain issues requiring Board approval. Each of the Committee members has full understanding on determining which issues require a decision of the full Board and which are delegated by the Board to the Committee or management.

2. Audit Committee

An Audit Committee was established by the Board in 1999. The Committee currently comprises entirely Independent Non-Executive Directors with appropriate academic and professional qualifications or related financial management expertise, namely Mr. Dominic C.F. Ho (Chairman of the Committee), Dr. Andrew K.C. Chan, Prof. H.K. Chang and Ms. Anita Y.M. Fung.

Under the CG Code, it is required that meetings are held at least two times a year with the external auditor. Separate meetings will also need to be held with the external auditor (in the absence of management) as and when required. The Audit Committee has exceeded the CG Code and held four meetings for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal control in 2015. Moreover, the Committee met the external auditor four times in 2015 without the presence of the Executive Board members.

In view of the recent amendments to the CG Code relating to internal control for accounting period from January 1, 2016, the terms of reference of the Committee has been reviewed and revised to include its role to oversee the risk management effectiveness. The updated terms of reference explaining the Committee's role and authority are available on both our website under Audit Committee of Corporate Governance of the Investor Relations section and the website of HKEx.

The Committee is authorized by the Board to investigate any activity within its terms of reference; to seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by the Committee; to obtain outside legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise to their meetings if necessary. Sufficient resources are provided to the Committee to discharge its duty.



In 2015, the Audit Committee performed, inter alia, the following:

Relationship with External Auditor, Review of Financial Information and Oversight of Financial Reporting System, Risk Management and Internal Control Systems

- reviewed and obtained an explanation from management and the external auditor about the interim and annual results, including the causes of changes from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- considered and proposed to the Board the re-appointment of KPMG as the Company's external auditor and approved its terms of engagement;
- reviewed the procedures and guidelines in employing the external auditor to perform non-audit assignments for the Company;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the external auditor in the absence of management to discuss any material audit issues;
- endorsed the amendments to the terms of reference of the Audit Committee formalizing the oversight of risk management for approval of the Board;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit program for 2016;
- carried out reviews of the risk management and internal control systems of the Company including tax strategy, senior management's structure, the adequacy of resources, staff qualifications and experience, training programs and the Company's procedures for financial reporting;
- Initiated the three-day workshop for the Board on risk management and to formalize the ERM framework; and
- oversaw the effectiveness of risk management framework.

Corporate Governance Functions

- reviewed the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the Code of Conduct, and made recommendations to the Board;
- reviewed and monitored the training and continuous professional development of Directors; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In view of our rapid expansion in mainland China, the Audit Committee also meets quarterly to review and monitor the progress and construction costs of Mainland development projects and major renovation projects. The Cost and Controls Department reports regularly in these Audit Committee meetings, and continues to provide an effective check and balance role in controlling our sizeable capital expenditures spending and investment, as well as the quality and safety aspects of the projects.

3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, now comprises entirely Independent Non-Executive Directors, namely Mr. Ronald J. Arculli (Chairman of the Committee), Mr. Dominic C.F. Ho and Prof. H.K. Chang. Regular reviews on significant changes in the salary structure of the Group and terms and conditions affecting Executive Directors and senior management are conducted. The Committee met once in 2015 to review, inter alia, the composition of Board members and Directors' remuneration.

The terms of reference of the Committee can be accessed on both our website under Nomination and Remuneration Committee of Corporate Governance of the Investor Relations section and the website of HKEx.

The major work performed by the Committee in 2015 included the following:

- reviewed the Board Diversity Policy and its implementation;
- reviewed the structure, size and diversity of the Board;
- assessed the independence of the Independent Non-Executive Directors, including the independence of director re-designated from Non-Executive Director to Independent Non-Executive Director;
- made recommendations to the Board on the selection of individuals nominated for directorship in view of the qualifications and related expertise;
- made recommendations to the Board on the re-election of retiring Directors at the AGM;
- made recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration;
- determined the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments; and
- made recommendations to the Board on the remuneration of the Independent Non-Executive Directors.



The remuneration package of Executive Directors and senior management, including discretionary bonuses and share options, is based on the following criteria:

- individual performance;
- skills and knowledge;
- involvement in the Group's affairs;
- achievement of business targets; and
- performance and profitability of the Group.

The Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Committee obtains benchmark reports for evaluation of market trends and the competitive levels of remuneration being offered to Directors and senior management. Sufficient resources are provided to the Committee to discharge its duties. The Committee may consult the Chairman and the Managing Director about remuneration proposals of other Executive Directors and has access to independent professional advice if necessary.

Details of remuneration payable to members of the senior management (which includes Executive Directors only) are disclosed in Note 7 to the Financial Statements.

4. Management Functions

Senior management includes Executive Directors only. Their duties are explained in the paragraph headed Executive Committee above. Key executives are responsible for the day-to-day operations and administration function of the Group under the leadership of the Executive Directors. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements will be reviewed periodically to ensure that they remain appropriate to our needs.

(III) Directors' Securities Transactions and Share Interests

1. Compliance with Model Code

We have set out guidelines regarding securities transactions by Directors under Transactions in the Company's Shares in our Code of Conduct according to the required standard set out in the Model Code. The Company has made specific enquiries to all Directors and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding Directors' securities transactions.

2. Share Interests of Directors

Details of Directors' interests in shares of the Company and HLGL as at December 31, 2015 are as follows:

Name of Directors	The Company		Hang Lung Group Limited	
	Number of Shares	Number of Shares under Option	Number of Shares	Number of Shares under Option
Ronnie C. Chan	16,330,000	27,490,000	5,090,000	6,700,000
Philip N.L. Chen	–	21,500,000	–	–
Ronald J. Arculli	724,346	–	1,089,975	–
P.W. Liu	100,000	–	–	–
Dominic C.F. Ho	–	–	–	–
Nelson W.L. Yuen	–	24,320,000	–	–
Andrew K.C. Chan	–	–	–	–
H.K. Chang	–	–	–	–
Anita Y.M. Fung	–	–	–	–
H.C. Ho	–	10,450,000	–	–



(IV) Accountability and Audit

1. Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. A statement by the external auditor, KPMG, about their reporting responsibilities is included in the Independent Auditor's Report on the Company's consolidated financial statements.

The Directors endeavor to ensure a balanced, clear and understandable assessment of the Company's position and prospects in annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

2. Risk Management and Internal Control

Risk Management

The Board has an overall responsibility for the risk management framework, and for determining the significant risks it is willing to take in achieving the Company's objectives. Audit Committee is delegated with overseeing the effectiveness of internal control and risk management, while management is responsible for the design, implementation and monitoring of such systems. An ERM working group (comprising unit heads from both business units and support divisions) has been set up to coordinate risk management activities, and to report regularly to the Board.

Our approach to manage risks involves identification and assessment of principal risks from the external and internal environments at different organization levels. By referencing to the top strategic risks from a dedicated offsite workshop attended by Board members, and to the top operational risks emerged from our company-wide risk assessment exercise, a list of key principal risks was compiled. Action plans have been developed and risk ownership has been assigned for each key principal risk. The risk owners coordinate the mitigation measures to ensure proper implementation of these action plans. The process is closely monitored by the ERM working group. The principal risks and their respective mitigation actions are covered in the Risk Management section of this annual report.

Taken into consideration the principal risks and mitigation actions, the Board believes that the Company has the ability to respond to any such changes in our business and the external environment.

Internal Control

The Board acknowledged that it is their responsibilities to maintain an effective internal control system. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Specifically, our internal control system shall allow monitoring of the Company's overall financial position; safeguard its assets against major losses and misappropriation; provide reasonable assurance against material fraud and errors; and efficiently monitor and correct non-compliances.

Management is responsible for designing, implementing and maintaining an effective internal control system with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles. In particular, proper policies and procedures governing activities of the Executive Committee, Directors, executives and senior staff, such as delegation of authority, approval of annual and mid-year budgets for all capital and revenue items, handling and dissemination of price-sensitive information¹, etc., have been put in place. Management also reviews, updates and improves the internal control system to meet upcoming challenges.

We maintain an Internal Audit Department which is independent of our operations and accounting functions. The Internal Auditor reports directly to the Audit Committee. A risk-based internal audit program is approved by the Audit Committee each year. Based on the audit program, the Internal Auditor performs assessment of risks and testing of controls across all business and support units of the Company, in order to provide a reasonable assurance that adequate controls and governance are in operation. In line with the Company's zero tolerance on fraud and bribery, Internal Auditor would report or perform further investigations appropriately when frauds or irregularities were uncovered or suspected.

In 2015, quarterly meetings were held for the Audit Committee to discuss internal audit issues with Internal Auditor, as well as enquiring on financial and internal control matters with the external auditor. The Audit Committee had four direct discussions with the external auditor in the absence of management. Audit Committee reported to the Board on key issues arisen from these meetings.

There were no significant control failings or weaknesses identified that have not been rectified in 2015. Our internal audit function has been operating effectively.

¹ The Company takes proactive precautionary measures in handling and dissemination of price-sensitive information. Such information is restricted to a need-to-know basis. The Company has adopted a policy on disclosure of price-sensitive information and senior executives are reminded of the compliance of the policy every six months.



Based on the foregoing review by the Audit Committee covering all material controls, including financial, operational and compliance controls and risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2015, the Board concluded that effective and adequate internal control and risk management systems had been in operation.

The level of resources, staff qualifications and experience, training programs and budget of the Company's internal audit and accounting and financial reporting functions were assessed and considered adequate.

3. Code of Conduct

We have adopted a corporate Code of Conduct since 1994 which is reviewed and updated from time to time.

The Code of Conduct clearly spells out the Company's stance, the legal requirements, conflicts of interest, handling of confidential information and company property, use of information and communication systems, whistleblowing policy, relations with suppliers and contractors, responsibilities to shareholders and the financial community, relations with customers and consumers, employment practices, and responsibilities to the community. In essence, it details the Group's philosophy in running its business and acts as a benchmark for all staff and suppliers to follow.

In order to monitor and enforce compliance to the Code of Conduct, functional managers are responsible for ensuring their subordinates fully understand and comply with the standards and requirements as stipulated. Any violation thereof will result in the employee being disciplined, including termination of employment or reporting to appropriate authorities if necessary. The Executive Directors will also answer directly to any Board member for impartial and efficient handling of complaints received from all shareholders and potential shareholders, customers and consumers, suppliers and contractors and our employees. As part of our commitment to good governance, all executive staff are required to submit a signed declaration of compliance with the Code of Conduct regarding Transactions in the Company's Shares on a half-yearly basis.

A well-defined whistleblowing mechanism has been put in place for our employees and other related third parties such as contractors and tenants. It is designed to encourage them to raise serious concerns in confidence about misconduct, fraudulent activities, or malpractices in any matter related to the Group. All the cases will be addressed to the Head of Internal Audit directly and investigated by Internal Audit Department on a confidential basis. The Company has also set up an e-mail account (whistleblowing@hanglung.com) for this purpose.

All staff are made aware of integrity issues and zero-tolerance policy on misconduct through the Code of Conduct, policies and procedures. Launched in 2013, the Hang Lung Integrity Program was established to enforce the highest standards of integrity and honesty from every process and every employee in Hong Kong and mainland China. In 2015, more than 86,000 training hours were delivered to our employees, of which 1,945 training hours were delivered as part of the program.

Also, to make sure that all operations are managed in accordance with a high standard of practice and corporate governance, all employees are reminded of the policy governing conflict of interest situations every six months. All executive staff are also required to complete and sign a declaration form every six months declaring their interests, directly or indirectly, with the Company and our subsidiaries and associated companies.

4. Auditors' Remuneration

KPMG was re-appointed as our external auditor by shareholders at the 2015 AGM until the conclusion of the 2016 AGM. It is primarily responsible for providing audit services in connection with the annual consolidated financial statements.

Total remuneration in respect of services provided by the external auditors is as follows:

	Year ended December 31, 2015 HK\$ (in million)	Year ended December 31, 2014 HK\$ (in million)
Statutory audit services	8	8
Non-audit services	6	5

(V) Communication with Stakeholders

1. Shareholders

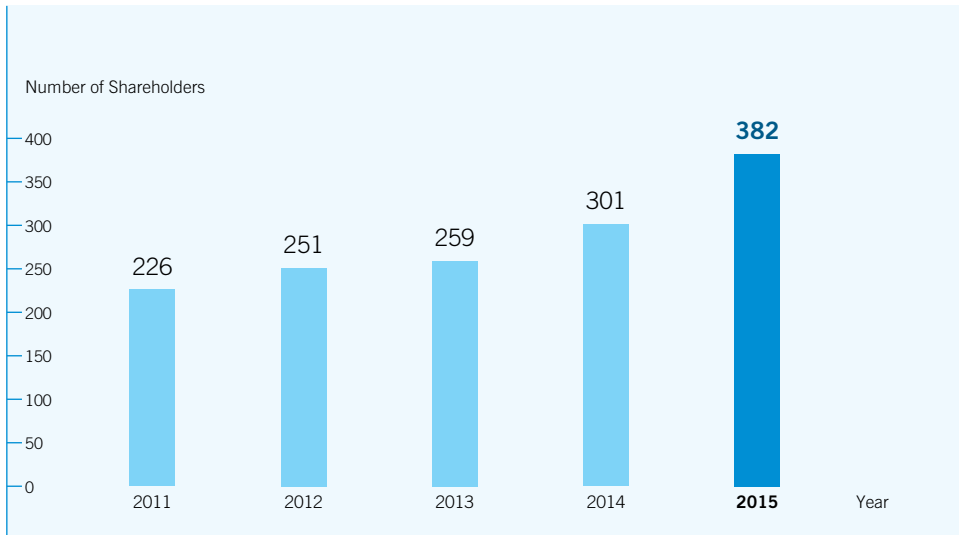
The Board has established a shareholders communication policy setting out strategies that the Company has in place to promote effective communication with shareholders, with the aim of ensuring shareholders are provided with information about the Company and enabling them to engage actively with the Company and to exercise their rights as shareholders in an informed manner. The policy is regularly reviewed to ensure its effectiveness.

AGMs

Our AGM provides a good opportunity for communication between the Board and shareholders. The Chairmen of the Board and of the committees are normally present to answer queries raised by shareholders. The external auditor also attends and reports to shareholders at the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 20 clear business days before the meeting. Each separate issue is proposed by a separate resolution by the Chairman. The meeting enjoys strong participation from shareholders.



SHAREHOLDERS PARTICIPATION IN AGMs



In addition to the Chairman's Letter to Shareholders, the Chairman explains to the shareholders the business strategies and outlook of the Group in the AGM and proactively opens a dialogue with shareholders.

2015 AGM

Our last AGM was held on April 29, 2015 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 382 shareholders present in person or by proxy. At the meeting, the Chairman had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting a poll. All resolutions tabled at the 2015 AGM, inter alia, adoption of the financial statements, re-election of Directors, re-appointment of auditor and renewal of general mandates were voted on by poll, and the results of poll voting were posted on the websites of our Company and of HKEx in the evening on the same day. There are no changes in the Articles of Association in 2015 and the Articles of Association is available on our website and the website of HKEx.

The Board confirms that there are no changes proposed to the Articles of Association at the forthcoming AGM to be held on April 28, 2016. The important shareholders' dates for the coming financial year, which include the Board meetings for considering the payments of interim and final dividends for the year ending December 31, 2016 and the AGM, are expected to be held at around late July 2016, late January 2017 and in April 2017 respectively.

Procedure for Shareholders to Convene General Meetings

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to the Companies Ordinance. The request must state the business to be dealt with at the meeting, signed by the relevant shareholder(s) and deposited at our registered office for the attention of the Company Secretary. The above request authenticated by the person or persons making the request may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Put Forward Proposals in General Meetings

Furthermore, the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company or (ii) at least 50 shareholders entitled to vote can put forward proposals for consideration at a general meeting of the Company by sending a request in writing to the registered office of the Company for the attention of the Company Secretary. The above request authenticated by the person or persons making the request may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Propose a Person for Election as a Director

According to the Articles of Association, if any shareholder(s) representing not less than 10% of the total voting rights of all the shareholders of the Company wish(es) to propose a person (other than a retiring director) for election as a director (the Candidate) at a general meeting of the Company, the following documents must be lodged at our registered office: (i) a written notice of such proposal duly signed by the shareholder(s) concerned; and (ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected. The period for lodgment of the above documents (being a period of at least seven days) shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Enquiries from Shareholders

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered address or by e-mail to our Company at ir@hanglung.com. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about the shareholdings and entitlement to dividend. Relevant contact details are set out under the Listing Information section of this annual report.



2. Investors

Details of shareholders by domicile as at December 31, 2015 are as follows:

Domicile	Shareholders		Shareholdings	
	Number	%	Number of Shares	%
Hong Kong	2,955	94.38	4,487,544,420	99.78
Mainland China	55	1.76	4,035,790	0.09
Macau	8	0.26	377,433	0.01
Taiwan	2	0.06	593	0.00
Australia and New Zealand	9	0.29	14,105	0.00
Canada and United States of America	45	1.43	2,588,800	0.06
South East Asia	45	1.43	2,596,767	0.06
United Kingdom	8	0.26	14,400	0.00
Others	4	0.13	3,362	0.00
TOTAL	3,131	100.00	4,497,175,670	100.00

Details of shareholders by holding range as at December 31, 2015 are as follows:

Holding Range	Shareholders*		Shareholdings*	
	Number	%	Number of Shares	%
1 - 1,000 shares	1,466	46.82	675,133	0.02
1,001 - 5,000 shares	793	25.33	2,218,139	0.05
5,001 - 10,000 shares	305	9.74	2,501,891	0.06
10,001 - 100,000 shares	474	15.14	16,656,736	0.37
Over 100,000 shares	93	2.97	4,475,123,771	99.50
TOTAL	3,131	100.00	4,497,175,670	100.00

* incorporating, in their respective shareholdings range, 414 participants of Central Clearing and Settlement System holding a total of 2,834,842,443 shares registered in the name of HKSCC Nominees Limited

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

We are committed to disclosing relevant information on our activities to our shareholders and investors through regular analysts' briefings, press conferences and press releases, e-mails and our website, apart from through our annual and interim reports. All enquiries and proposals received from shareholders, investors, the media or the public are responded to by Executive Directors, the Company Secretary or appropriate key executives.

The Company's information is accessible to all via our website. Besides providing traditional financial data, our website contains the most current information including properties available for sale and leasing, the latest number of issued shares, updated substantial shareholders' interests in shares, newsletters, major corporate events and frequently asked questions.

MOVING FORWARD

As a long-term player, Hang Lung will continue to strive for living up to its motto of We Do It Right by extending its concept and vision of excellence in corporate governance in Hong Kong and every city where the Group is operating its world-class projects. We are confident of offering our stakeholders one of the most transparent and well-governed corporation in Greater China.



23-39 Blue Pool Road,
Hong Kong



Palace 66,
Shenyang

Heartland 66,
Wuhan



Star Management

From creating new landmarks to operating and managing our world-class properties, Hang Lung has gained a position of prominence in our field of business through firm commitment to astute management principles. Our management aims to bring our foresight and dedication into every aspect of our operations, to give to our tenants, customers and shareholders the very best that a leading national commercial property developer can offer.



Mr. Ronnie Chichung Chan

Chairman

Aged 66, Mr. Chan joined the Group in 1972 and was appointed to the Board of Hang Lung Properties Limited in 1986 before becoming Chairman in 1991. He also serves as Chairman of Hang Lung Group Limited. Mr. Chan is Chairman of the Executive Committee of One Country Two Systems Research Institute, Vice-President of The Real Estate Developers Association of Hong Kong, Co-Chair of the Board of Asia Society and Chairman of its Hong Kong Center. He also acts as an advisor to China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several think-tanks and universities, including Peter G. Peterson Institute for International Economics, The Hong Kong University of Science and Technology, and University of Southern California, USA, where he received his MBA.



Mr. Philip Nan Lok Chen

Managing Director

Aged 60, Mr. Chen joined the Company and its listed holding company, Hang Lung Group Limited, as Managing Director in July 2010. Mr. Chen has more than 30 years of management experience, mostly in the aviation industry, acquiring a wealth of experience in Hong Kong, Mainland China and beyond. Mr. Chen graduated from the University of Hong Kong in 1977 with a Bachelor of Arts degree and holds a Master's degree in Business Administration from the same university.



Mr. Ronald Joseph Arculli

GBM, CVO, GBS, OBE, JP

Independent Non-Executive Director

Aged 77, Mr. Arculli joined the Board in 1980. Mr. Arculli is a practicing solicitor and was a Member of the Legislative Council of Hong Kong from 1988 to 2000, representing the Real Estate and Construction functional constituency between 1991 and 2000. He was a Non-Official Member of the Executive Council of the HKSAR from November 2005 to June 2012, and served as Convenor from October 2011 to June 2012. Mr. Arculli was the Independent Non-Executive Chairman of Hong Kong Exchanges and Clearing Limited from April 2006 to April 2012, and remained as an Independent Non-Executive Director until his retirement in April 2013. He has a distinguished record of public service and has served on numerous government committees and advisory bodies. Mr. Arculli is a Non-Executive Director of HKR International Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited, Tsim Sha Tsui Properties Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited (all are listed companies except HK Electric Investments Manager Limited). He previously acted as an Independent Non-Executive Director of SCMP Group Limited and a Non-Executive Director of Power Assets Holdings Limited and Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited).



Prof. Pak Wai Liu SBS, JP

Independent Non-Executive Director

Aged 68, Prof. Liu joined the Board as an Independent Non-Executive Director in 1998. He is Research Professor and was formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong. Prof. Liu holds a number of positions related to his field of study, including Director of the Economic Research Centre of the Hong Kong Institute of Asia-Pacific Studies and Vice-President of The East Asian Economic Association. He was formerly Director of the Institute of Global Economics and Finance and was appointed Distinguished Fulbright Scholar in 2000-01. Prof. Liu serves on many government advisory bodies. He is the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials. Prof. Liu was a past member of the Working Group on Long-Term Fiscal Planning of the HKSAR, the Commission on Strategic Development, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, the Provisional Minimum Wage Commission, the Independent Commission on Remuneration for the Members of the District Councils of the HKSAR and the Aviation Development Advisory Committee. He is also a Director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority, and was a Non-Executive Director of the Securities and Futures Commission and Chairman of its Remuneration Committee. Prof. Liu received his AB degree from Princeton University and Ph.D degree from Stanford University in the US. He is an Independent Non-Executive Director of Transport International Holdings Limited and Hang Lung Group Limited, and an Independent Director of China Zheshang Bank Co. Ltd. (a non-listed company). Prof. Liu was awarded the Silver Bauhinia Star (SBS) in 1999, and appointed Justice of Peace (JP) in 2006.



Mr. Dominic Chiu Fai Ho

Independent Non-Executive Director

Aged 65, Mr. Ho joined the Board as an Independent Non-Executive Director in April 2008. He retired as co-chairman of KPMG, China and HKSAR in March 2007. Mr. Ho obtained his degrees at the University of Houston in the United States and is a member of the American Institute of Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He was a past member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and of the Insurance Advisory Committee, both in Hong Kong, and was a Non-Executive and Independent Director of Singapore Telecommunications Limited.



Mr. Nelson Wai Leung Yuen

Independent Non-Executive Director

Aged 65, Mr. Yuen joined Hang Lung in 1978, became an Executive Director of the Company in 1986, and was appointed as Managing Director of the Company and its holding company, Hang Lung Group Limited, in 1992 until he retired in July 2010. He became a Non-Executive Director of the Company in March 2011 and was re-designated as Independent Non-Executive Director in November 2014. Mr. Yuen is a graduate of The University of Manchester, UK and a Fellow of The Institute of Chartered Accountants in England and Wales.



Dr. Andrew Ka Ching Chan BBS, JP
Independent Non-Executive Director

Aged 66, Dr. Chan joined the Board as a Non-Executive Director in October 2014 and was re-designated as Independent Non-Executive Director on December 24, 2015. Dr. Chan is Chairman of Trustees' Board of the global Arup Group, one of the world's foremost multi-disciplinary engineering consultants. Previously, he was the Deputy Chairman of Arup Group and retired in October 2014. Dr. Chan is an expert in civil and geotechnical engineering with over 40 years of experience in the engineering profession, and is distinguished for his leadership in the creation, design and delivery of many innovative and award-winning building projects as well as major infrastructure schemes in many cities in Asia. He is a past President and Gold Medallist of The Hong Kong Institution of Engineers, Founding Chairman of the Hong Kong Green Building Council, Honorary Fellow of the Hong Kong University of Science and Technology, Fellow and Senior Vice President of the Hong Kong Academy of Engineering Sciences and Fellow of the Royal Academy of Engineering, UK's national academy. Dr. Chan obtained his PhD degree from the University of Cambridge in Soil Mechanics. He was appointed Justice of the Peace in 2006 and awarded the Bronze Bauhinia Star in 2012.



Prof. Hsin Kang Chang GBS, JP
Independent Non-Executive Director

Aged 75, Prof. Chang joined the Board as an Independent Non-Executive Director in April 2015. Prof. Chang became an Honorary Professor in 2006 and Yeh-Lu Xun Chair Professor from 2008 to 2015 at Peking University, and an Honorary Professor at Tsinghua University in 2007. Prof. Chang was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was Dean of the School of Engineering at the University of Pittsburgh in the US from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994, and Chairman of the Department of Biomedical Engineering at the University of Southern California in the US from 1985 to 1990. Prof. Chang taught at several major universities in North America and served in a number of scholarly societies and public advisory bodies in the US, serving as President of Biomedical Engineering Society of the US in 1988-89. In Hong Kong, he was Chairman of the Cultural and Heritage Commission from 2000 to 2003, a member of the Council of Advisors on Innovation and Technology from 2000 to 2004 and a member of Judicial Officers Recommendation Commission from 1999 to 2005. Prof. Chang is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, Member of International Eurasian Academy of Sciences, Chévalier dans l'Ordre National de la Légion d'Honneur and Commandeur dans l'Ordre des Palmes Académiques of France. He obtained his Bachelor's degree in civil engineering from National Taiwan University in 1962, Master's degree in structural engineering from Stanford University in the US in 1964 and Ph.D degree in biomedical engineering from Northwestern University in the US in 1969. Prof. Chang is an Independent Non-Executive Director of Brightoil Petroleum (Holdings) Limited and HKT Trust and HKT Limited. He previously acted as an Independent Non-Executive Director of Hon Kwok Land Investment Company, Limited. Prof. Chang was appointed Justice of the Peace in 1999 and awarded the Gold Bauhinia Star in 2002.



Ms. Anita Yuen Mei Fung BBS, JP
Independent Non-Executive Director

Aged 55, Ms. Fung joined the Board as an Independent Non-Executive Director on May 5, 2015. Ms. Fung is former Group General Manager of HSBC Holdings plc and former Chief Executive Officer Hong Kong of The Hongkong and Shanghai Banking Corporation Limited. She has held a number of positions with key financial bodies in Hong Kong including currently a member of the Financial Infrastructure Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, and has been actively promoting the development of the financial markets of Hong Kong as well as other regions. Ms. Fung also serves on a number of advisory bodies. She is an Independent Non-Executive Member of the Board of Airport Authority Hong Kong, Non-Official Member of Hong Kong Housing Authority, and a Council Member of The Hong Kong University of Science and Technology. Ms. Fung is an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited and former Non-Executive Director of Bank of Communications Co., Ltd and Hang Seng Bank, Limited. She obtained her Bachelor's degree in Social Science from The University of Hong Kong and Master's degree in Applied Finance from Macquarie University, Australia. Ms. Fung was awarded the Bronze Bauhinia Star in 2013 and appointed Justice of the Peace in 2015.



Mr. Hau Cheong Ho
Executive Director

Aged 56, Mr. Ho joined the Group in 2008 and was appointed to the Board of the Company and of its holding company, Hang Lung Group Limited, in September 2010. He is the Chief Financial Officer of the Company. Mr. Ho possesses more than 30 years of management experience covering a wide range of industries in England, Australia, Hong Kong and Mainland China. He qualified as a chartered accountant in England and Wales and Australia and holds an MBA from the University of Melbourne, Australia and a Bachelor of Commerce Degree in Accounting from the University of Birmingham, UK.

PROFILE OF KEY EXECUTIVES

Mr. Norman Ka Ngok Chan

Director – Leasing & Sales

Aged 63, Mr. Chan joined the Group in 2013 as Director – Leasing & Sales. He is responsible for formulating and implementing strategies and business plans for the development of the Group's property leasing and management in Hong Kong and on the Mainland. Mr. Chan possesses over 30 years of experience in property leasing and management. He holds a Bachelor of Commerce degree from The University of Alberta, Canada. He is a Chartered Accountant of The Institute of Chartered Accountants of Alberta, a Fellow Member and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Gabriel Kai Wah Cheung

Assistant Director – Cost & Controls

Aged 55, Mr. Cheung joined the Group as Head of Cost & Controls in 2013 and was appointed as Assistant Director – Cost & Controls in 2014. Mr. Cheung possesses over 30 years of experience in cost & controls management in Hong Kong and on the Mainland. Mr. Cheung holds a Master of Construction Management degree from the University of New South Wales, Australia. He is a Registered Professional Surveyor (Quantity Surveying) of Hong Kong, a Fellow of the Hong Kong Institute of Construction Managers, a Fellow of the Chartered Institute of Building, a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors, a Member of the Chartered Institute of Arbitrator and a Member of the Association of Cost Engineers. He is also an Honorary Fellow of Shenzhen Cost Engineer Association and holds the qualification for Registered Cost Engineer in mainland China.

Ms. Bella Peck Lim Chhoa

Company Secretary, General Counsel and Assistant Director – Corporate Affairs

Aged 45, Ms. Chhoa joined the Group as Company Secretary, General Counsel and Assistant Director – Corporate Affairs in 2011. She is responsible for overseeing the company secretarial, legal and human resources and training functions of the Group. Prior to joining the Group, she was head of the legal department and company secretary of two other companies listed on The Stock Exchange of Hong Kong Limited for a number of years. Ms. Chhoa is a solicitor qualified to practice in Hong Kong. She holds a Master of Business Administration degree from The Chinese University of Hong Kong and a Bachelor degree in Law from The University of Hong Kong.

Mr. Chuk Fai Kwan

Assistant Director – Corporate Communications

Aged 56, Mr. Kwan joined the Group as Assistant Director – Corporate Communications in 2011. Mr. Kwan possesses 30 years of experience in public relations and corporate affairs. He holds an Executive MBA degree from The University of Western Ontario, Canada, and a Bachelor of Arts degree from The University of Hong Kong.



Mr. Peter Ting San Leung

Assistant Director – Project Construction

Aged 55, Mr. Leung joined the Group as Assistant Director – Project Construction in 2014. Mr. Leung possesses over 30 years of experience in developing and managing projects on the Mainland and overseas. He holds a Postgraduate Diploma in Construction Project Management from The University of Hong Kong, a Bachelor of Architecture degree and a Bachelor of Science (Architecture) degree from McGill University, Canada. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and holds a PRC Class 1 Registered Architect Qualification.

Mr. Moses Woon Tim Leung

Assistant Director – Project Planning

Aged 48, Mr. Leung joined the Group as Senior Manager – Project Construction in 2007 and was appointed as Assistant Director – Project Planning in 2011. He possesses over 20 years of experience in project design with various consultant firms and in exposure to Mainland projects. Mr. Leung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorized Person under the Buildings Ordinance.

Mr. Adrian Kin Leung Lo

Assistant Director – Project Construction

Aged 55, Mr. Lo joined the Group as Assistant Director – Project Construction in 2013. Mr. Lo possesses over 25 years of experience in architectural design and project management for both Hong Kong and Mainland projects. Mr. Lo holds a Master of Business Administration degree from Asia International Open University, Macau, a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is also a Registered Architect in Hong Kong, an Authorized Person under Buildings Ordinance and a Member of The Hong Kong Institute of Architects.

Mr. Ricky Kon Wai Lui

Assistant Director – Project Construction

Aged 50, Mr Lui joined the Group as Assistant Director – Project Construction in 2014. Mr. Lui possesses over 25 years of experience in land acquisition, project development and asset management in Hong Kong, on the Mainland and overseas. He holds a Master of Business Administration degree from University of Warwick, UK. He is also a Member of The Chartered Institute of Building.

Mr. Raymond Wai Man Mak

Assistant Director and Group Financial Controller

Aged 52, Mr. Mak joined the Group as Assistant Director & Group Financial Controller in 2011. Mr. Mak possesses over 25 years of experience in finance, auditing and as company secretary. He holds a Master of Business Administration degree from The University of Warwick, UK. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Chartered Association of Certified Accountants, UK.

Mr. Joseph Kar Fai To

Assistant Director – Leasing & Management

Aged 52, Mr. To joined the Group as Assistant Director – Leasing & Management in 2015. Mr. To possesses over 25 years of experience in business development. He holds a Master of Arts degree in Marketing from The University of Lancaster, UK and a Bachelor of Commerce degree from The University of Birmingham, UK.

Mr. Ricky Tin For Tsang

Assistant Director – Head of Corporate Audit

Aged 54, Mr. Tsang joined the Group as Assistant Director – Head of Corporate Audit in 2014. Mr. Tsang possesses over 25 years of finance, audit and risk management experience. He holds a Master and a Bachelor of Arts degree in Engineering Science from The University of Oxford, UK. He is a Fellow of The Hong Kong Institute of Certified Public Accountants, a Member of The Institute of Chartered Accountants in England and Wales and a Member of The Association of Corporate Treasurers, UK.

Ms. Mary Yuen Yee Yan

Assistant Director – Leasing & Management

Aged 48, Ms. Yan joined the Group as Assistant Director – Leasing & Management in 2014. Ms. Yan possesses over 20 years of experience in property leasing and management. She holds a Bachelor of Arts degree from The University of Hong Kong.

Mr. William Wing Chung Yiu

Assistant Director – Leasing & Management

Aged 45, Mr. Yiu joined the Group as Assistant Director – Corporate Audit in 2011 and was appointed as Assistant Director – Leasing & Management in 2013. Mr. Yiu possesses over 20 years of finance, internal audit and mainland China taxation experience. He holds a Master of Business Administration degree from the California State University, Hayward, USA, and a Bachelor of Economics degree from Monash University, Australia. He is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Institute of Internal Auditors.



The Directors have pleasure in submitting their report together with the audited consolidated Financial Statements for the year ended December 31, 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, and through its subsidiaries, property investment for rental income, property development for sales and leasing, car park management and property management.

An analysis of the revenue and trading results of the Company and its subsidiaries (collectively referred to as the Group) by operating segments during the financial year is set out in Note 3 to the Financial Statements.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

A list of principal subsidiaries and joint ventures, together with their places of operations and incorporation and particulars of their issued share capital/registered capital is set out in Notes 34 and 35 to the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended December 31, 2015, and the state of affairs of the Company and of the Group at that date are set out in the consolidated Financial Statements on pages 142 to 198.

DIVIDENDS

The Directors now recommend a final dividend of HK58 cents per share which, together with the interim dividend of HK17 cents per share paid on September 30, 2015, makes a total of HK75 cents per share in respect of the year ended December 31, 2015. The proposed final dividend, if approved by the shareholders at the AGM on April 28, 2016, will be paid on May 18, 2016 to shareholders whose names appear on the register of members on May 5, 2016.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections from pages 30 to 71 and pages 74 to 83 respectively of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Risk Management section from pages 92 to 95. Particulars of important events affecting the Company that have occurred since the end of the financial year 2015, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section from pages 30 to 71 of this annual report.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections from pages 4 to 5 and pages 74 to 83 respectively of this annual report. A discussion on the Company's environmental policies and performance and an account of the Company's relationships with its key stakeholders are provided in the Sustainable Development section from pages 86 to 91 of this annual report.

Compliance procedures are in place to ensure adherence to the relevant laws and regulations in particular, those have a significant impact on the Group. The Audit Committee of the Company is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of or changes in the relevant laws and regulations would be communicated to the relevant departments and staff to ensure compliance. Reminders on the compliance would also be sent out regularly where necessary.

The Group has set up systems and policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conduct of its business, including but not limited to the Residential Properties (First-hand Sales) Ordinance, Competition Ordinance, Personal Data (Privacy) Ordinance, Minimum Wage Ordinance, Employment Ordinance and Occupational Safety and Health Ordinance in Hong Kong, and the Anti-Monopoly Law and Anti-Unfair Competition Law in the People's Republic of China. On corporate level, the Company also complies with the Listing Rules, the Companies Ordinance and the SFO.



TEN-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 199.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined were less than 30% of the total purchases and total revenue of the Group respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at December 31, 2015 amounted to HK\$13,946 million (2014: HK\$7,216 million).

DONATIONS

Donations made by the Group during the year amounted to HK\$15 million (2014: HK\$22 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2015 are set out in Note 17 to the Financial Statements.

BORROWING COSTS CAPITALIZATION

Borrowing costs capitalized by the Group during the year amounted to HK\$444 million (2014: HK\$766 million).

MAJOR GROUP PROPERTIES

Details of major properties of the Group as at December 31, 2015 are set out on pages 68 to 71.

SHARE CAPITAL

During the year, as a result of the exercise of share options under the Company's share option scheme, 11,866,000 shares (2014: 6,414,000 shares), fully paid, were issued for total consideration of HK\$205,309,760 (2014: HK\$71,136,520).

Details of the shares issued by the Company during the year are set out in Note 20 to the Financial Statements.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the share option schemes are set out in Note 25 to the Financial Statements and the paragraphs below.

DIRECTORS

The Directors during the year and up to the date of this report are:

Mr. Ronnie C. Chan

Mr. Philip N.L. Chen

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 (appointed on April 17, 2015)

Ms. Anita Y.M. Fung (appointed on May 5, 2015)

Mr. H.C. Ho

Mr. S.S. Yin (resigned on April 29, 2015)

Dr. H.K. Cheng (resigned on April 29, 2015)

Ms. Laura L.Y. Chen (passed away on May 18, 2015)

The brief biographical details of the existing Directors are set out on pages 122 to 126 and details of Directors' remuneration are set out in Note 7 to the Financial Statements.

Dr. Andrew K.C. Chan was re-designated from Non-Executive Director to Independent Non-Executive Director on December 24, 2015.



Ms. Anita Y.M. Fung, being Independent Non-Executive Director newly appointed on May 5, 2015, will retire from the Board at the forthcoming AGM in accordance with article 94 of the Articles of Association and, being eligible, will offer herself for re-election.

In accordance with articles 103 and 104 of the Articles of Association, Mr. Philip N.L. Chen, Prof. P.W. Liu and Mr. Dominic C.F. Ho will retire from the Board by rotation at the forthcoming AGM. Mr. Philip N.L. Chen and Mr. Dominic C.F. Ho, being eligible, will offer themselves for re-election. Prof. P.W. Liu will not offer himself for re-election and will retire from the Board with effect from the conclusion of the forthcoming AGM as he would like to devote more time to his other commitments.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at <http://www.hanglung.com> under Corporate Governance of the Investor Relations section.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company, its holding company or any of their respective subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party, and in which a Director or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance. The Company has arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2015, the interests or short positions of each of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

Name of Directors	Capacity	The Company (Long Position)			Hang Lung Group Limited (Long Position)		
		Number of Shares	% of Number of Issued Shares	Number of Shares under Option (Note 1)	Number of Shares	% of Number of Issued Shares	Number of Shares under Option (Note 2)
Ronnie C. Chan	Personal	16,330,000	0.36	27,490,000	5,090,000	0.38	6,700,000
Philip N.L. Chen	Personal	–	–	21,500,000	–	–	–
Ronald J. Arculli	Personal & Corporate	724,346	0.02	–	1,089,975	0.08	–
P.W. Liu	Personal & Family	100,000	–	–	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–	–
Nelson W.L. Yuen	Personal	–	–	24,320,000	–	–	–
Andrew K.C. Chan	–	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–	–
H.C. Ho	Personal	–	–	10,450,000	–	–	–



Notes

1. Movements of Options under the Share Option Schemes of the Company

(i) Share Option Scheme adopted on November 22, 2002

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2015	Exercised during the Year	As at Dec 31, 2015			
11/20/2006	Ronnie C. Chan	2,000,000	2,000,000	–	\$17.14	11/20/2007 : 10% 11/20/2008 : 20% 11/20/2009 : 30% 11/20/2010 : 40%	11/19/2016
08/21/2007	Ronnie C. Chan Nelson W.L. Yuen	3,640,000 3,510,000	– –	3,640,000 3,510,000	\$25.00	08/21/2008 : 10% 08/21/2009 : 20% 08/21/2010 : 30% 08/21/2011 : 40%	08/20/2017
08/21/2007	Ronnie C. Chan Nelson W.L. Yuen	5,600,000 5,400,000	– –	5,600,000 5,400,000	\$25.00	08/21/2009 : 10% 08/21/2010 : 20% 08/21/2011 : 30% 08/21/2012 : 40%	08/20/2017
09/01/2008	H.C. Ho	300,000	–	300,000	\$24.20	09/01/2010 : 10% 09/01/2011 : 20% 09/01/2012 : 30% 09/01/2013 : 40%	08/31/2018
12/31/2008	Ronnie C. Chan Nelson W.L. Yuen H.C. Ho	9,240,000 8,910,000 300,000	9,240,000 – –	– 8,910,000 300,000	\$17.36	12/31/2010 : 10% 12/31/2011 : 20% 12/31/2012 : 30% 12/31/2013 : 40%	12/30/2018
02/08/2010	Ronnie C. Chan Nelson W.L. Yuen	6,500,000 6,500,000	– –	6,500,000 6,500,000	\$26.46	02/08/2012 : 10% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
07/29/2010	Philip N.L. Chen	10,000,000	–	10,000,000	\$33.05	07/29/2012 : 10% 07/29/2013 : 20% 07/29/2014 : 30% 07/29/2015 : 40%	07/28/2020
09/29/2010	H.C. Ho	2,000,000	–	2,000,000	\$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
06/13/2011	Ronnie C. Chan Philip N.L. Chen H.C. Ho	4,500,000 4,500,000 3,000,000	– – –	4,500,000 4,500,000 3,000,000	\$30.79	06/13/2013 : 10% 06/13/2014 : 20% 06/13/2015 : 30% 06/13/2016 : 40%	06/12/2021

1. Movements of Options under the Share Option Schemes of the Company (continued)

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2015	Exercised during the Year	As at Dec 31, 2015			
#06/04/2013	Ronnie C. Chan	4,500,000	–	4,500,000	\$28.20	06/04/2015 : 10%	06/03/2023
	Philip N.L. Chen	4,500,000	–	4,500,000			
	H.C. Ho	3,000,000	–	3,000,000			
#12/05/2014	Ronnie C. Chan	2,750,000	–	2,750,000	\$22.60	12/05/2016 : 10%	12/04/2024
	Philip N.L. Chen	2,500,000	–	2,500,000			
	H.C. Ho	1,850,000	–	1,850,000			
						06/04/2017 : 30%	
						06/04/2018 : 40%	
						12/05/2017 : 20%	
						12/05/2018 : 30%	
						12/05/2019 : 40%	

Mr. Adriel Wenbwo Chan (a full time employee of the Company and an associate of a director of the Company) was granted and held share options to subscribe for 200,000 shares and 150,000 shares in the Company at respective exercise prices per share of HK\$28.20 and HK\$22.60.

2. Movement of Options under the Share Option Scheme of Hang Lung Group Limited

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2015	Exercised during the Year	As at Dec 31, 2015			
11/20/2006	Ronnie C. Chan	6,700,000	–	6,700,000	\$20.52	11/20/2007 : 10%	11/19/2016
						11/20/2008 : 20%	
						11/20/2009 : 30%	
						11/20/2010 : 40%	

Save as disclosed above, none of the Directors had, as at December 31, 2015, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the year was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2015, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Note	Number of Shares or Underlying Shares Held		% of Number of Issued Shares	
		(Long Position)	(Short Position)	(Long Position)	(Short Position)
Chan Tan Ching Fen	1	2,470,309,340	–	54.93	–
Cole Enterprises Holdings (PTC) Limited (formerly known as Cole Enterprises Holdings Limited)	1	2,470,309,340	–	54.93	–
Merssion Limited	1	2,470,309,340	–	54.93	–
Hang Lung Group Limited	2	2,441,976,240	–	54.30	–
Prosperland Housing Limited	3	1,267,608,690	–	30.60	–
Purotat Limited	3	354,227,500	–	8.55	–

Notes

1. These shares were the same parcel of shares held by a trust of which Ms. Chan Tan Ching Fen was the founder. Cole Enterprises Holdings (PTC) Limited was the trustee of the trust. Cole Enterprises Holdings (PTC) Limited and Merssion Limited held 36.79% interests in HLGL. The shares held by HLGL and its subsidiaries were included in the above-mentioned number of 2,470,309,340.
2. These shares were held by the wholly-owned subsidiaries of HLGL and as such HLGL was deemed to be interested in these shareholdings.
3. These companies are wholly-owned subsidiaries of HLGL. Their interests were included in the above-mentioned number of 2,441,976,240 shares held by HLGL.

Save as disclosed above, as at December 31, 2015, no other interest required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

RELATED PARTY TRANSACTIONS

The connected transactions in respect of the acquisitions of several units and car parking spaces of The HarbourSide by Ms. Chan Tan Ching Fen and Mr. Nelson W.L. Yuen (connected persons of the Company and HLGL) at consideration of HK\$99,406,126 and HK\$140,120,000 respectively were completed in January 2015. Details of the connected transactions were set out in the joint announcement of the Company and HLGL dated November 25, 2014.

Details of the significant related party transactions undertaken in the usual course of business are set out in Note 26 to the Financial Statements. Save as disclosed above, none of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 96 to 119.

AUDITOR

The consolidated Financial Statements for the year ended December 31, 2015 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company until the conclusion of the next AGM is to be proposed at the forthcoming AGM.

By Order of the Board

Bella Peck Lim Chhoa

Company Secretary

Hong Kong, January 28, 2016

**Independent auditor's report to the members of Hang Lung Properties Limited**

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hang Lung Properties Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 142 to 198, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

January 28, 2016

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142 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2015

in HK\$ Million	Note	2015	2014
Revenue	3(a)	8,948	17,030
Direct costs and operating expenses		(2,400)	(4,022)
Gross profit		6,548	13,008
Other net loss	4	(15)	(2)
Administrative expenses		(655)	(644)
Operating profit before changes in fair value of investment properties		5,878	12,362
Net increase in fair value of investment properties	11	631	1,705
Operating profit after changes in fair value of investment properties		6,509	14,067
Interest income		1,119	924
Finance costs		(1,041)	(671)
Net interest income	5	78	253
Share of profits of joint ventures	12	75	75
Profit before taxation	3(a) & 6	6,662	14,395
Taxation	8(a)	(1,117)	(2,242)
Profit for the year		5,545	12,153
Attributable to:			
Shareholders	21	5,092	11,704
Non-controlling interests	22	453	449
		5,545	12,153
Earnings per share	10(a)		
Basic		\$1.13	\$2.61
Diluted		\$1.13	\$2.61

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015

in HK\$ Million	Note	2015	2014
Profit for the year		5,545	12,153
Other comprehensive income	8(d)		
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of overseas subsidiaries		(5,730)	(794)
Total comprehensive income for the year		(185)	11,359
Total comprehensive income attributable to:			
Shareholders		(282)	10,929
Non-controlling interests		97	430
		(185)	11,359

The accompanying notes form part of these financial statements.

144 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015

in HK\$ Million	Note	2015	2014
Non-current assets			
Property, plant and equipment			
Investment properties		129,425	120,137
Investment properties under development		16,709	25,611
Other property, plant and equipment		336	300
	11	146,470	146,048
Interest in joint ventures	12	1,241	1,205
Other assets	13	4	6
Deferred tax assets	19(b)	11	12
		147,726	147,271
Current assets			
Cash and deposits with banks	14	31,289	39,946
Trade and other receivables	15	1,173	1,916
Properties for sale	16	3,830	4,046
		36,292	45,908
Current liabilities			
Bank loans and other borrowings	17	4,693	5,657
Trade and other payables	18	6,806	7,906
Taxation payable	19(a)	501	1,581
		12,000	15,144
Net current assets		24,292	30,764
Total assets less current liabilities		172,018	178,035
Non-current liabilities			
Bank loans and other borrowings	17	28,078	29,441
Deferred tax liabilities	19(b)	9,048	9,591
		37,126	39,032
NET ASSETS		134,892	139,003
Capital and reserves			
Share capital	20	39,903	39,663
Reserves	21	89,086	92,664
Shareholders' equity		128,989	132,327
Non-controlling interests	22	5,903	6,676
TOTAL EQUITY		134,892	139,003

Philip N.L. Chen
Managing Director

H.C. Ho
Executive Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

in HK\$ Million	Shareholders' equity				Non-controlling interests (Note 22)	Total equity
	Share capital (Note 20)	Other reserves (Note 21)	Retained profits (Note 21)	Total		
At January 1, 2014	4,479	43,944	76,111	124,534	6,633	131,167
Transition to no-par value regime on March 3, 2014 (Note 20(a))	35,100	(35,100)	–	–	–	–
Profit for the year	–	–	11,704	11,704	449	12,153
Exchange difference arising from translation of overseas subsidiaries	–	(775)	–	(775)	(19)	(794)
Total comprehensive income for the year	–	(775)	11,704	10,929	430	11,359
Final dividends in respect of previous financial year	–	–	(2,601)	(2,601)	–	(2,601)
Interim dividends in respect of current financial year	–	–	(763)	(763)	–	(763)
Issue of shares	84	(13)	–	71	–	71
Employee share-based payments	–	95	62	157	–	157
Dividends paid to non-controlling interests	–	–	–	–	(387)	(387)
At December 31, 2014 and January 1, 2015	39,663	8,151	84,513	132,327	6,676	139,003
Profit for the year	–	–	5,092	5,092	453	5,545
Exchange difference arising from translation of overseas subsidiaries	–	(5,374)	–	(5,374)	(356)	(5,730)
Total comprehensive income for the year	–	(5,374)	5,092	(282)	97	(185)
Final dividends in respect of previous financial year	–	–	(2,646)	(2,646)	–	(2,646)
Interim dividends in respect of current financial year	–	–	(765)	(765)	–	(765)
Issue of shares	240	(35)	–	205	–	205
Employee share-based payments	–	107	43	150	–	150
Dividends paid to non-controlling interests	–	–	–	–	(870)	(870)
At December 31, 2015	39,903	2,849	86,237	128,989	5,903	134,892

The accompanying notes form part of these financial statements.

146 CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2015

in HK\$ Million	Note	2015	2014
Operating activities			
Cash generated from operations	23	7,613	16,559
Tax paid			
Hong Kong Profits Tax paid		(1,467)	(684)
China Income Tax paid		(686)	(513)
Net cash generated from operating activities		5,460	15,362
Investing activities			
Payment for property, plant and equipment		(6,180)	(5,301)
Net sale proceeds from disposal of property, plant and equipment		96	5
Interest received		1,076	908
Dividends received from joint ventures		39	30
Decrease in amount due to a joint venture		–	(88)
Repayment of advances to unlisted investments		2	2
(Increase)/Decrease in bank deposits with maturity greater than three months		(4,367)	498
Net cash used in investing activities		(9,334)	(3,946)
Financing activities			
Proceeds from new bank loans and other borrowings		3,854	9,988
Repayment of bank loans		(5,682)	(9,872)
Proceeds from exercise of share options		205	71
Interest and other borrowing costs paid		(1,427)	(1,138)
Dividends paid		(3,411)	(3,364)
Dividends paid to non-controlling interests		(870)	(387)
Net cash used in financing activities		(7,331)	(4,702)
(Decrease)/Increase in cash and cash equivalents		(11,205)	6,714
Effect of foreign exchange rate changes		(1,812)	(588)
Cash and cash equivalents at January 1		39,887	33,761
Cash and cash equivalents at December 31	14	26,870	39,887

The accompanying notes form part of these financial statements.

(Expressed in Hong Kong dollars)

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (note 32).

(b) Basis of preparation of the financial statements

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Joint ventures

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

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

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

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

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

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

(e) Goodwill

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Properties

1. *Investment properties and investment properties under development*

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

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

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

2. *Properties under development for sale*

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

3. *Completed properties for sale*

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

(g) Other property, plant and equipment

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

2. Leased assets

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

(i) Classification of assets leased to the Group

The classification is determined based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease. Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases, with the following exceptions:

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for as described in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) Other property, plant and equipment** (Continued)*2. Leased assets* (Continued)*(iii) Operating leases charges*

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

(h) Depreciation*1. Investment properties*

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

2. Other property, plant and equipment

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

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

(i) Derivative financial instruments

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

(j) Impairment of assets

An assessment is carried out at the end of each reporting period to determine whether there is objective evidence that a current or non-current asset, other than properties carried at revalued amounts, is impaired.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

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

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

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

- For other non-current assets, the recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized as an expense in profit or loss whenever the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.

(k) Trade and other receivables

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

(l) Cash and cash equivalents

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

(o) Borrowing costs

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

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

(p) Financial guarantees issued, provisions and contingent liabilities

1. *Financial guarantees issued*

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

1. *Financial guarantees issued (Continued)*

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

2. *Other provisions and contingent liabilities*

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

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

(q) Revenue recognition

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

1. *Sale of properties*

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

2. *Rental income*

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

3. *Interest income*

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition (Continued)

4. Dividends

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

(r) Taxation

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

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

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

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

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

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

The results of foreign operations are translated in Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(t) Related parties

1. A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
2. An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in note 1(t)(1).
- (vii) A person identified in note 1(t)(1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

(u) Segment reporting

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

(v) Employee benefits

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

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

2. *Share-based payments*

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

2. Share-based payments (Continued)

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. 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

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.

3 REVENUE AND SEGMENT INFORMATION

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

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

Management evaluates performance primarily based on profit before taxation.

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

3 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue and results by segments

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

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Total assets by segments

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

4 OTHER NET LOSS

in HK\$ Million	2015	2014
Gain on disposal of investment properties	69	3
Unrealized loss on remeasurement of derivative financial instruments (Note)	(101)	–
Net exchange gain/(loss)	17	(5)
	(15)	(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.

5 NET INTEREST INCOME

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

Note:

The borrowing costs have been capitalized at an average rate of 4.2% (2014: 3.8%) per annum for properties under development.

6 PROFIT BEFORE TAXATION

in HK\$ Million	2015	2014
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)	1,323	1,158
Depreciation	51	49
Auditors' remuneration		
– audit services	8	8
– non-audit services	6	5
and after crediting:		
Gross rental income from investment properties less direct outgoings of HK\$2,047 million (2014: HK\$1,627 million), including contingent rentals of HK\$300 million (2014: HK\$291 million)	5,704	5,589

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

in HK\$ Million						
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Group's contributions to retirement scheme	2015	2014
Executive Directors						
Ronnie C. Chan	0.9	25.3	8.0	2.5	36.7	37.5
Philip N.L. Chen	0.7	23.8	8.0	1.4	33.9	34.5
H.C. Ho	0.7	4.8	3.6	0.4	9.5	10.1
Independent Non-Executive Directors						
Ronald J. Arculli	0.8	–	–	–	0.8	0.7
P.W. Liu	0.7	–	–	–	0.7	0.9
Dominic C.F. Ho	0.9	–	–	–	0.9	0.9
Nelson W.L. Yuen	0.7	–	–	–	0.7	0.7
Andrew K.C. Chan (Note (c)) (Appointed on October 20, 2014)	0.8	–	–	–	0.8	0.1
H.K. Chang (Appointed on April 17, 2015)	0.6	–	–	–	0.6	–
Anita Y.M. Fung (Appointed on May 5, 2015)	0.5	–	–	–	0.5	–
S.S. Yin (Resigned on April 29, 2015)	0.2	–	–	–	0.2	0.7
H.K. Cheng (Resigned on April 29, 2015)	0.3	–	–	–	0.3	0.9
Laura L.Y. Chen (Passed away on May 18, 2015)	0.3	–	–	–	0.3	0.9
2015	8.1	53.9	19.6	4.3	85.9	87.9
2014	8.1	51.5	24.5	3.8	87.9	

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2014: three) are existing directors of the Company and the emoluments in respect of the remaining two (2014: two) individuals are as follows:

in HK\$ Million	2015	2014
Salaries, allowances and benefits in kind	8.6	8.0
Discretionary bonuses	2.7	2.7
Group's contributions to retirement scheme	0.4	0.3
	11.7	11.0

The emoluments of the above two (2014: two) individuals are within the following bands:

	Number of individuals	
	2015	2014
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–
HK\$6,500,001 – HK\$7,000,000	1	1
	2	2

- (c) Dr. Andrew K.C. Chan was re-designated from Non-Executive Director to Independent Non-Executive Director on December 24, 2015.
- (d) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company and its ultimate holding company, Hang Lung Group Limited. Details of which are disclosed in note 25(b).
- (e) During the years ended December 31, 2015 and 2014, there were no amounts paid to directors and senior executives above for compensation of loss of office and inducement for joining the Group.

8 TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

in HK\$ Million	2015	2014
Current tax		
Hong Kong Profits Tax	459	1,498
Over-provision in prior years	(7)	(31)
	452	1,467
China Income Tax	674	679
	1,126	2,146
Deferred tax		
Change in fair value of investment properties	(67)	28
Other origination and reversal of temporary differences	58	68
Total (Note 19(b))	(9)	96
Total income tax expense	1,117	2,242

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) Share of joint ventures' taxation for the year ended December 31, 2015 of HK\$12 million (2014: HK\$10 million) is included in the share of profits of joint ventures.

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

in HK\$ Million	2015	2014
Profit before taxation	6,662	14,395
Tax on profit before taxation at applicable rates	1,293	2,596
Tax effect of non-taxable income	(243)	(346)
Tax effect of non-deductible expenses	75	54
Tax effect of tax losses utilized and other deductible temporary differences	(215)	(150)
Tax effect of unrecognized tax losses	214	119
Over-provision in prior years	(7)	(31)
Actual tax expense	1,117	2,242

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

9 DIVIDENDS

(a) Dividends attributable to the year

in HK\$ Million	2015	2014
Interim dividend declared and paid of HK17 cents (2014: HK17 cents) per share	765	763
Final dividend of HK58 cents (2014: HK59 cents) per share proposed after the end of the reporting period	2,608	2,646
	3,373	3,409

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).

10 EARNINGS PER SHARE

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

in HK\$ Million	2015	2014
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	5,092	11,704
	Number of shares	
in Million	2015	2014
Weighted average number of shares used in calculating basic earnings per share	4,489	4,483
Effect of dilutive potential shares – share options	2	3
Weighted average number of shares used in calculating diluted earnings per share	4,491	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:

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

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

	2015	2014
Basic	HK\$0.98	HK\$2.24
Diluted	HK\$0.98	HK\$2.23

11 PROPERTY, PLANT AND EQUIPMENT

in HK\$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2014	107,587	30,478	441	138,506
Exchange adjustment	(178)	(102)	(1)	(281)
Additions	394	5,866	62	6,322
Disposals	(2)	–	(4)	(6)
Increase in fair value	1,705	–	–	1,705
Transfer	10,631	(10,631)	–	–
At December 31, 2014 and January 1, 2015	120,137	25,611	498	146,246
Exchange adjustment	(3,988)	(1,257)	(12)	(5,257)
Additions	487	4,540	96	5,123
Disposals	(27)	–	(4)	(31)
Net increase in fair value	631	–	–	631
Transfer	12,185	(12,185)	–	–
At December 31, 2015	129,425	16,709	578	146,712
Accumulated depreciation:				
At January 1, 2014	–	–	152	152
Charge for the year	–	–	49	49
Written back on disposals	–	–	(3)	(3)
At December 31, 2014 and January 1, 2015	–	–	198	198
Exchange adjustment	–	–	(5)	(5)
Charge for the year	–	–	51	51
Written back on disposals	–	–	(2)	(2)
At December 31, 2015	–	–	242	242
Net book value:				
At December 31, 2015	129,425	16,709	336	146,470
At December 31, 2014	120,137	25,611	300	146,048
Cost or valuation of the property, plant and equipment is made up as follows:				
December 31, 2015				
Valuation	129,425	16,709	–	146,134
Cost	–	–	578	578
	129,425	16,709	578	146,712
December 31, 2014				
Valuation	120,137	25,611	–	145,748
Cost	–	–	498	498
	120,137	25,611	498	146,246

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Fair value measurement of properties

(i) Fair value hierarchy

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

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

in HK\$ Million	Fair Value measurement at December 31, 2015		
	Level 1	Level 2	Level 3
Investment properties	–	129,425	–
Investment properties under development	–	–	16,709

in HK\$ Million	Fair Value measurement at December 31, 2014		
	Level 1	Level 2	Level 3
Investment properties	–	120,137	–
Investment properties under development	–	–	25,611

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, except for the transfer from investment properties under development to investment properties of HK\$12,185 million upon opening of Dalian Olympia 66 mall and Shenyang Forum 66 office tower in mainland China (2014: transfer from investment properties under development to investment properties of HK\$10,631 million upon opening of Tianjin Riverside 66 mall and Wuxi Center 66 office tower), there were no other transfers between levels of fair value hierarchy.

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. Management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Fair value measurement of properties (Continued)

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

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

(iii) Information about Level 3 fair value measurements

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

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

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

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

The total estimated development costs of the Group's investment properties under development ranged from HK\$3.7 billion to HK\$17.8 billion (2014: HK\$3.9 billion to HK\$22.0 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

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

in HK\$ Million	Investment properties under development – China	
	2015	2014
At January 1	25,611	30,478
Exchange adjustment	(1,257)	(102)
Additions	4,540	5,866
Increase in fair value	–	–
Transfer to Level 2	(12,185)	(10,631)
At December 31	16,709	25,611
Total gains for the year included in profit or loss	–	–

Fair value adjustments of investment properties and investment properties under development is recognized in “Net increase in fair value of investment properties” in the consolidated statement of profit or loss.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

in HK\$ Million	Investment properties		Investment properties under development	
	2015	2014	2015	2014
Long term leases in Hong Kong	38,124	37,033	–	–
Long term leases outside Hong Kong	–	–	824	849
Medium term leases in Hong Kong	19,463	19,376	–	–
Medium term leases outside Hong Kong	71,838	63,728	15,885	24,762
	129,425	120,137	16,709	25,611

(c) The net book value of other property, plant and equipment of the Group included long term leases of HK\$14 million (2014: HK\$14 million) in respect of land and building held in Hong Kong, medium term leases of HK\$6 million (2014: HK\$7 million) and long term leases of HK\$41 million (2014: HK\$46 million) in respect of land and buildings held outside Hong Kong respectively.

Property leasing revenue includes gross rental income from investment properties of HK\$7,751 million (2014: HK\$7,216 million).

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

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

in HK\$ Million	2015	2014
Within 1 year	5,604	5,671
After 1 year but within 5 years	6,885	6,990
After 5 years	823	1,059
	13,312	13,720

12 INTEREST IN JOINT VENTURES

in HK\$ Million	2015	2014
Share of net assets – unlisted shares	1,241	1,205

Details of joint ventures are set out in note 35. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

in HK\$ Million	2015	2014
Non-current assets	1,233	1,215
Current assets	45	22
Non-current liabilities	(7)	(7)
Current liabilities	(30)	(25)
Net assets	1,241	1,205

in HK\$ Million	2015	2014
Revenue	81	76
Profit and total comprehensive income for the year	75	75

13 OTHER ASSETS

in HK\$ Million	2015	2014
Advances to unlisted investee companies	4	6

14 CASH AND DEPOSITS WITH BANKS

in HK\$ Million	2015	2014
Time deposits	29,766	37,380
Cash at banks	1,523	2,566
Cash and deposits with banks in the consolidated statement of financial position	31,289	39,946
Less: Bank deposits with maturity greater than three months	(4,419)	(59)
Cash and cash equivalents in the consolidated cash flow statement	26,870	39,887

At the end of the reporting period, the Group's cash and deposits with banks were interest-bearing at an average rate of 3.2% (2014: 2.4%) per annum with currencies denominated in:

in HK\$ Million	2015	2014
Hong Kong Dollars equivalent of:		
Renminbi	30,102	35,515
Hong Kong Dollars	1,181	4,425
United States Dollars	6	6
	31,289	39,946

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

After deducting cash and deposits from bank loans and other borrowings, the net debt position (2014: net cash position) of the Group at the end of the reporting period was as follows:

in HK\$ Million	2015	2014
Bank loans and other borrowings (Note 17)	32,771	35,098
Less: Cash and deposits	(31,289)	(39,946)
Net Debt/(Net Cash)	1,482	(4,848)

15 TRADE AND OTHER RECEIVABLES

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

in HK\$ Million	2015	2014
Current and within 1 month	41	1,007
1 – 3 months	8	7
Over 3 months	4	8
	53	1,022

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

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

16 PROPERTIES FOR SALE

in HK\$ Million	2015	2014
Completed properties for sale located in Hong Kong – long term leases	1,810	1,810
Completed properties for sale located in Hong Kong – medium term leases	2,020	2,236
	3,830	4,046

17 BANK LOANS AND OTHER BORROWINGS

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

in HK\$ Million	2015	2014
Bank loans (Note (a))		
Within 1 year or on demand	4,696	5,657
After 1 year but within 2 years	1,873	4,249
After 2 years but within 5 years	11,433	8,449
Over 5 years	2,264	4,296
	20,266	22,651
Other borrowings (Note (b))		
After 2 years but within 5 years	810	375
Over 5 years	11,929	12,368
	12,739	12,743
	33,005	35,394
Less: unamortized front end fees	(234)	(296)
Total bank loans and other borrowings	32,771	35,098
Amount due within 1 year included under current liabilities	(4,693)	(5,657)
	28,078	29,441

Notes:

(a) All bank loans are interest-bearing at rates ranging from 0.8% to 7.1% (2014: 0.8% to 7.1%) per annum during the year.

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

At December 31, 2015, the Group had HK\$11,715 million (2014: HK\$18,139 million) committed undrawn banking facilities.

(b) A wholly-owned subsidiary of the Company has a US\$3 billion (2014: US\$3 billion) Medium Term Note Program (the "Program"). At the end of the reporting period, the bonds have been issued with coupon rates ranged from 2.95% to 4.75% (2014: 2.95% to 4.75%) per annum under the Program.

18 TRADE AND OTHER PAYABLES

in HK\$ Million	2015	2014
Creditors and accrued expenses (Note (a))	4,717	6,002
Deposits received (Note (b))	2,089	1,904
	6,806	7,906

Notes:

- (a) Creditors and accrued expenses include retention money payable of HK\$533 million (2014: HK\$545 million) which is not expected to be settled within one year.
- (b) Deposits received of HK\$1,266 million (2014: HK\$1,103 million) are not expected to be settled within one year.

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

in HK\$ Million	2015	2014
Due within 1 month	2,094	4,297
Due after 3 months	582	565
	2,676	4,862

19 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation

in HK\$ Million	2015	2014
Provision for Hong Kong Profits Tax	157	1,145
Provision for China Income Tax	339	403
Hong Kong Profits Tax payable relating to prior years	5	33
	501	1,581

(b) Deferred taxation

in HK\$ Million	2015	2014
Deferred tax liabilities	9,048	9,591
Deferred tax assets	(11)	(12)
Net deferred tax liabilities	9,037	9,579

19 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred taxation (Continued)

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

in HK\$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
Deferred tax arising from:					
At January 1, 2014	1,245	8,123	–	149	9,517
Credited to exchange reserve	(7)	(27)	–	–	(34)
Charged/(Credited) to profit or loss (Note 8(a))	89	28	(2)	(19)	96
At December 31, 2014 and January 1, 2015	1,327	8,124	(2)	130	9,579
Credited to exchange reserve	(57)	(475)	–	(1)	(533)
Charged/(Credited) to profit or loss (Note 8(a))	90	(67)	–	(32)	(9)
At December 31, 2015	1,360	7,582	(2)	97	9,037

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

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK\$2,817 million (2014: HK\$2,191 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2015. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

20 SHARE CAPITAL

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

	2015		2014	
	Number of shares (million)	Amount of share capital (HK\$million)	Number of shares (million)	Amount of share capital (HK\$million)
Ordinary shares, issued and fully paid:				
At January 1	4,485	39,663	4,479	4,479
Shares issued under share option scheme	12	240	6	84
Transition to no-par value regime on March 3, 2014 (Note (a))	–	–	–	35,100
At December 31	4,497	39,903	4,485	39,663

Note (a):

The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on March 3, 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

21 RESERVES

(a) The Group

in HK\$ Million	Other reserves				Total	Retained profits	Total reserves
	Share premium	Capital redemption reserve	Exchange reserve	Employee share-based compensation reserve			
At January 1, 2014	33,031	2,066	8,265	582	43,944	76,111	120,055
Transition to no-par value regime on March 3, 2014 (Note 20(a))	(33,034)	(2,066)	–	–	(35,100)	–	(35,100)
Profit for the year	–	–	–	–	–	11,704	11,704
Exchange difference arising from translation of overseas subsidiaries	–	–	(775)	–	(775)	–	(775)
Total comprehensive income for the year	–	–	(775)	–	(775)	11,704	10,929
Final dividends in respect of previous financial year	–	–	–	–	–	(2,601)	(2,601)
Interim dividends in respect of current financial year	–	–	–	–	–	(763)	(763)
Issue of shares	3	–	–	(16)	(13)	–	(13)
Employee share-based payments	–	–	–	95	95	62	157
At December 31, 2014 and January 1, 2015	–	–	7,490	661	8,151	84,513	92,664
Profit for the year	–	–	–	–	–	5,092	5,092
Exchange difference arising from translation of overseas subsidiaries	–	–	(5,374)	–	(5,374)	–	(5,374)
Total comprehensive income for the year	–	–	(5,374)	–	(5,374)	5,092	(282)
Final dividends in respect of previous financial year	–	–	–	–	–	(2,646)	(2,646)
Interim dividends in respect of current financial year	–	–	–	–	–	(765)	(765)
Issue of shares	–	–	–	(35)	(35)	–	(35)
Employee share-based payments	–	–	–	107	107	43	150
At December 31, 2015	–	–	2,116	733	2,849	86,237	89,086

21 RESERVES (Continued)**(a) The Group** (Continued)

The retained profits for the Group at December 31, 2015 included HK\$690 million (2014: HK\$519 million) in respect of statutory reserves of the subsidiaries in mainland China.

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

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as explained in note 1(v).

(b) The Company

in HK\$ Million	Other reserves			Total	Retained profits	Total reserves
	Share premium	Capital redemption reserve	Employee share-based compensation reserve			
At January 1, 2014	33,031	2,066	582	35,679	3,311	38,990
Transition to no-par value regime on March 3, 2014 (Note 20(a))	(33,034)	(2,066)	–	(35,100)	–	(35,100)
Profit and total comprehensive income for the year	–	–	–	–	7,207	7,207
Final dividends in respect of previous financial year	–	–	–	–	(2,601)	(2,601)
Interim dividends in respect of current financial year	–	–	–	–	(763)	(763)
Issue of shares	3	–	(16)	(13)	–	(13)
Employee share-based payments	–	–	95	95	62	157
At December 31, 2014 and January 1, 2015	–	–	661	661	7,216	7,877
Profit and total comprehensive income for the year	–	–	–	–	10,098	10,098
Final dividends in respect of previous financial year	–	–	–	–	(2,646)	(2,646)
Interim dividends in respect of current financial year	–	–	–	–	(765)	(765)
Issue of shares	–	–	(35)	(35)	–	(35)
Employee share-based payments	–	–	107	107	43	150
At December 31, 2015	–	–	733	733	13,946	14,679

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2015 was HK\$13,946 million (2014: HK\$7,216 million).

21 RESERVES (Continued)

Capital management

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

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

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

The Group has a net debt position as at December 31, 2015 (Note 14). Net debt to equity ratio and debt to equity ratio as at December 31, 2015 were 1.1% (2014: N/A) and 24.3% (2014: 25.2%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 NON-CONTROLLING INTERESTS

Non-controlling interests represent the equity interests and the share of profit or loss attributable to other shareholders in respect of the subsidiaries not wholly-owned by the Group as at December 31. Details of movement of non-controlling interests are set out in the consolidated statement of changes in equity.

23 CASH GENERATED FROM OPERATIONS

in HK\$ Million	2015	2014
Profit before taxation	6,662	14,395
Adjustments for:		
Gain on disposal of investment properties	(69)	(3)
Loss on remeasurement of derivative financial instruments	101	–
Bank interest income	(1,119)	(924)
Finance costs	1,041	671
Depreciation	51	49
Loss on disposal of other property, plant and equipment	2	1
Net increase in fair value of investment properties	(631)	(1,705)
Share of profits of joint ventures	(75)	(75)
Employee share-based payments	150	157
Decrease in properties for sale	170	1,689
Decrease in trade and other receivables	746	963
Increase in creditors and accrued expenses	330	1,192
Increase in deposits received	254	149
Cash generated from operations	7,613	16,559

24 COMMITMENTS

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

in HK\$ Million	2015	2014
Contracted for	1,539	3,445
Authorized but not contracted for	37,850	43,132
	39,389	46,577

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

25 EMPLOYEE BENEFITS

(a) Retirement benefits

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

Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group in 2015 (2014: the forfeited contributions were credited to the reserves of the fund). Total contributions made by the Group for the year amounted to HK\$26 million (2014: HK\$23 million) and forfeited sums refunded to the Group amounted to HK\$1 million (2014: forfeited sums were credited to the reserves amounted to HK\$2 million).

A master trust Mandatory Provident Fund Scheme (the "MPF Scheme") is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK\$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK\$6 million (2014: HK\$5 million).

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

Staff in the Company's subsidiaries operating in mainland China are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK\$49 million (2014: HK\$40 million).

(b) Equity compensation benefits

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

25 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

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

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

As at the date of this report, the total number of shares available for issue under the 2012 Share Option Scheme is 273,914,253 shares, representing 6.09% of the total number of issued shares of the Company. The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of shares of the Company in issue.

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

(i) 2002 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2015	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2015	Exercised	Forfeited/ Lapsed			
November 14, 2006 to March 19, 2007	4,125,000	(2,400,000)	–	1,725,000	November 14, 2007 to March 18, 2017	16.75 – 22.55
August 21, 2007 to December 31, 2008	40,268,000	(9,466,000)	(80,000)	30,722,000	August 21, 2008 to December 30, 2018	17.36 – 27.90
February 8, 2010 to June 1, 2010	13,380,000	–	–	13,380,000	February 8, 2012 to May 31, 2020	26.46 – 27.27
July 29, 2010 to June 13, 2011	33,840,000	–	(1,822,000)	32,018,000	July 29, 2012 to June 12, 2021	30.79 – 36.90
Total	91,613,000	(11,866,000)	(1,902,000)	77,845,000		

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

25 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

(i) 2002 Share Option Scheme (Continued)

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

	2015		2014	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	25.77	91,613,000	24.91	101,091,000
Exercised	17.30	(11,866,000)	11.09	(6,414,000)
Cancelled	–	–	–	–
Forfeited/Lapsed	32.08	(1,902,000)	28.27	(3,064,000)
Outstanding at December 31	26.90	77,845,000	25.77	91,613,000
Exercisable at December 31	26.46	69,837,800	23.98	66,443,000

The closing price of the shares immediately before the date of exercise by the director during the year was HK\$17.42. The weighted average closing price of the shares immediately before the dates of exercise by the employees during the year was HK\$21.44.

The weighted average closing share price at the dates of exercise for share options during the year was HK\$17.23.

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 3.7 years (2014: 4.6 years).

25 EMPLOYEE BENEFITS (Continued)**(b) Equity compensation benefits** (Continued)*(ii) 2012 Share Option Scheme*

Date granted	Number of share options			Outstanding on December 31, 2015	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2015	Exercised	Forfeited/ Lapsed			
June 4, 2013	33,550,000	–	(1,970,000)	31,580,000	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	32,470,000	–	(2,120,000)	30,350,000	December 5, 2016 to December 4, 2024	22.60
Total	66,020,000	–	(4,090,000)	61,930,000		

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

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

	2015		2014	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	25.45	66,020,000	28.20	38,620,000
Granted	–	–	22.60	32,630,000
Forfeited/Lapsed	25.30	(4,090,000)	28.03	(5,230,000)
Outstanding at December 31	25.46	61,930,000	25.45	66,020,000
Exercisable at December 31	28.20	3,158,000	–	–

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 8.1 years (2014: 9.1 years).

(iii) In respect of share options granted to the directors, the related charge recognized for the year ended December 31, 2015, estimated in accordance with the Group's accounting policy in note 1(v)(2) was as follows:

- (1) Mr. Ronnie C. Chan, HK\$16.6 million (2014: HK\$21.1 million);
- (2) Mr. Philip N.L. Chen, HK\$20.4 million (2014: HK\$28.9 million);
- (3) Mr. H.C. Ho, HK\$12.2 million (2014: HK\$14.3 million); and
- (4) Mr. Nelson W.L. Yuen, HK\$0.4 million (2014: HK\$4.3 million).

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

26 RELATED PARTY TRANSACTIONS

Except for the transactions and balances already disclosed elsewhere in the financial statements, the Group entered into the following related party transactions during the year in its ordinary course of business:

- (a) Emoluments to directors and key management has been disclosed in notes 7 and 25(b).
- (b) During the year ended December 31, 2014, a director and a connected person of the Group entered into the sale and purchase agreements to acquire four residential units and six car parking spaces of the Group's residential development, The HarbourSide, at a total consideration of \$240 million by way of public tender. The balance of the purchase price at December 31, 2014 of \$216 million was settled in January 2015. This constituted connected transactions as defined in Chapter 14A of the Listing Rules. Details of the connected transactions were set out in the joint announcement of the Company and Hang Lung Group Limited dated November 25, 2014.

Except for the related party transaction disclosed in note (b) above, none of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Interest rate risk

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

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

Based on the simulations performed at year end in relation to the Group's bank deposits and borrowings, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's profit after taxation and total equity by approximately HK\$117 million (2014: HK\$182 million).

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

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

The analysis was performed on the same basis for 2014.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

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

in HK\$ Million	Carrying amount	Contractual undiscounted cash flow				
		Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans and other borrowings	32,771	39,447	5,948	3,054	15,169	15,276
Trade and other payables	6,806	6,806	5,007	1,022	579	198
At December 31, 2015	39,577	46,253	10,955	4,076	15,748	15,474

in HK\$ Million	Carrying amount	Contractual undiscounted cash flow				
		Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans and other borrowings	35,098	42,772	6,942	5,428	12,012	18,390
Trade and other payables	7,906	7,906	6,258	973	516	159
At December 31, 2014	43,004	50,678	13,200	6,401	12,528	18,549

(c) Credit risk

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

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

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

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

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

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

(d) Currency risk

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group maintains certain bank deposits denominated in United States dollars amounting to US\$1 million (2014: US\$1 million) and bonds amounting to US\$1,000 million (2014: US\$1,000 million). Given that Hong Kong dollar is pegged to United States dollar, the resulting currency risk on such deposits and bonds is considered relatively limited. The currency risk arising from the USD denominated bond is also hedged by the cross currency swaps entered into by the Group during the year.

The Group engages in property development and investments in mainland China through its local subsidiaries whose net assets are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB 25,428 million (2014: RMB 28,333 million), for which there are currency risks but which are held to meet its ongoing Renminbi payment obligations in relation to its development projects in mainland China. Where appropriate, the Group seeks to minimize its exposure to currency risk in mainland China through borrowings denominated in Renminbi.

Management estimated that a 5% (2014: 1%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK\$4,319 million (2014: HK\$891 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2014.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value

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

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

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

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

The fair value of cross currency swaps as at December 31, 2015 of HK\$101 million (December 31, 2014: Nil) (recorded under "Trade and other payables") in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) *Financial assets and liabilities carried at other than fair value*

The fair values of unlisted investments, trade and other receivables, trade and other payables, cash and deposits with banks, bank loans and other borrowings are considered approximate to their carrying amounts at the end of the reporting period.

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

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

(a) *Properties held for sale*

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

(b) *Impairment of assets*

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

(c) *Income taxes*

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

(d) *Recognition of deferred tax assets*

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

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At December 31, 2015

in HK\$ Million	Note	2015	2014
Non-current asset			
Interest in subsidiaries	30	74,750	68,411
Current assets			
Cash and deposits with banks		2	3
Trade and other receivables		3	4
		5	7
Current liability			
Trade and other payables		17	17
Net current liabilities		(12)	(10)
Total assets less current liabilities		74,738	68,401
Non-current liability			
Amounts due to subsidiaries	30(c)	20,156	20,861
NET ASSETS		54,582	47,540
Capital and reserves			
Share capital	20	39,903	39,663
Reserves	21	14,679	7,877
TOTAL EQUITY		54,582	47,540

Philip N.L. Chen
Managing Director

H.C. Ho
Executive Director

30 INTEREST IN SUBSIDIARIES

in HK\$ Million	2015	2014
Unlisted shares, at cost	8	8
Amounts due from subsidiaries	74,742	68,403
	74,750	68,411

- (a) Details of principal subsidiaries are set out in note 34.
- (b) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next twelve months.
- (c) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next twelve months.

31 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hang Lung Group Limited, a company incorporated in Hong Kong.

32 FUTURE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following amendments and new standards which have been issued by the HKICPA but are not yet effective for the year ended December 31, 2015. The adoption of the following amendments or standards will not result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs	2012-2014 Cycle	January 1, 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
HKFRS 15	Revenue from contracts with customers	January 1, 2018
HKFRS 9	Financial Instruments	January 1, 2018

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on January 28, 2016.

34 PRINCIPAL SUBSIDIARIES

At December 31, 2015

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	100	100	Property leasing	Hong Kong
AP City Limited	2	100	–	Property leasing	Hong Kong
AP Joy Limited	2	100	–	Property development & leasing	Hong Kong
AP Properties Limited				Property development & leasing	Hong Kong
'A' shares	34	100	–		
'B' shares	6	100	–		
AP Star Limited*	2	100	–	Investment holding	Hong Kong
AP Success Limited	2	100	–	Property leasing	Hong Kong
AP Universal Limited*	2	100	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	100	–	Property leasing	Hong Kong
AP World Limited	2	100	100	Property development	Hong Kong
Bonna Estates Company Limited	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	100	–	Property leasing	Hong Kong
Cititop Limited	2	100	–	Property development & leasing	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	79.8	–		
'B' share	1	100	–		
Dokay Limited*	2	100	–	Property leasing	Hong Kong
Easegood Enterprises Limited	2	100	–	Investment holding	Hong Kong
Fu Yik Company Limited*	3	100	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	100	100	Investment holding	Hong Kong
Gowily Limited	2	100	–	Property leasing	Hong Kong
Grand Centre Limited	4	100	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	100	–	Apartment operating & management	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2015

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	62,163,123	100	–		
'B' shares	6,000,000	100	–		
Hang Chui Company Limited	2	100	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	100	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	100	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	100	100	Management services	Hong Kong
Hang Lung (Dalian) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung Park-In Limited	2	100	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	100	100	Project management	Hong Kong
Hang Lung Property Management Limited*	100,000	100	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	100	100	Property agencies	Hong Kong
HLP (China) Administrative Limited	1	100	–	Management services	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2015

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
HLP (China) Limited	2	100	100	Investment holding	Hong Kong
HLP Finance Limited [^]	US\$1	100	100	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	100	–	Financial services	Hong Kong
HLP Treasury Limited	2	100	100	Financial services	Hong Kong
HLP Treasury Services Limited*	2	100	–	Investment holding	Hong Kong
Hoi Sang Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	100	–	Property development	Hong Kong
Mansita Limited*	2	100	–	Property leasing	Hong Kong
Modalton Limited	2	100	–	Property leasing	Hong Kong
Monafat Limited*	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	100	–	Property leasing	Hong Kong
Pocaliton Limited	2	100	–	Property leasing	Hong Kong
Rago Star Limited	2	100	–	Property leasing	Hong Kong
Stocket Limited	2	100	100	Property leasing	Hong Kong
Tegraton Limited	2	100	–	Property leasing	Hong Kong
Wai Luen Investment Company, Limited*	100,000	100	–	Property leasing	Hong Kong
Yangli Limited*	2	100	–	Property leasing	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2015

Wholly Foreign Owned Enterprises in mainland China	Registered Capital	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB3,926,877,355	100	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB5,187,321,800	100	–	Property development	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB5,382,096,324	100	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	100	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	100	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$4,229,600,000	100	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB3,837,746,261	100	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	HK\$509,000,000	100	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB4,430,000,000	100	–	Property development	Mainland China
Equity Joint Ventures in mainland China	Registered Capital (US\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	82	–	Property development & leasing	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	69.3 [#]	–	Property development & leasing	Mainland China

[^] Operated in Hong Kong

^{*} Not audited by KPMG

[#] Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the subsidiary

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

35 JOINT VENTURES

At December 31, 2015

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited	5,000,000	36.8	–	Investment holding	Hong Kong
Ease Smart Development Limited				Investment holding	Hong Kong
‘A’ share	1	–	–		
‘B’ share	1	100	–		
Star Play Development Limited*	3	33.3	–	Property leasing	Hong Kong

* Not audited by KPMG

TEN-YEAR FINANCIAL SUMMARY

in HK\$ Million (unless otherwise stated)	Jan – Dec				Jul – Dec 2011 (Note 1)	For the year ended June 30				
	2015	2014	2013	2012		2011	2010	2009	2008	2007
Total assets	184,018	193,179	182,280	167,864	150,663	144,682	116,300	88,614	84,341	69,244
Investment properties	129,425	120,137	107,587	98,223	93,610	85,918	80,965	62,766	59,085	47,153
Properties for sale										
– Completed	3,830	4,046	4,033	4,813	5,127	5,058	5,055	6,923	6,774	9,501
– Under development	–	–	1,622	1,296	987	905	800	760	43	41
Cash and deposits with banks	31,289	39,946	34,321	36,025	23,732	27,202	11,535	8,931	10,578	6,994
Total liabilities	49,126	54,176	51,113	43,886	33,645	29,758	18,513	13,428	15,691	13,407
Bank loans and other borrowings	32,771	35,098	34,979	29,736	20,734	16,736	6,458	4,661	4,419	4,782
Floating rate notes	–	–	–	–	–	–	–	1,500	1,500	1,500
Shareholders' equity	128,989	132,327	124,534	117,928	111,462	109,719	93,105	71,894	66,377	54,277
Net assets (including non-controlling interests)	134,892	139,003	131,167	123,978	117,018	114,924	97,787	75,186	68,650	55,837
Revenue	8,948	17,030	9,138	7,372	3,069	5,164	12,057	4,173	10,080	4,389
Net profit attributable to shareholders	5,092	11,704	7,212	8,395	2,516	5,792	23,561	3,985	13,159	6,371
Underlying net profit (Note 2)	4,387	10,022	5,050	6,178	1,650	2,741	6,674	2,388	5,123	2,048
Dividends	3,373	3,409	3,359	3,313	1,610	3,175	2,951	2,736	2,736	2,320
Per share data										
Earnings										
– Basic	\$1.13	\$2.61	\$1.61	\$1.88	\$0.56	\$1.33	\$5.68	\$0.96	\$3.18	\$1.60
– Diluted	\$1.13	\$2.61	\$1.61	\$1.87	\$0.56	\$1.31	\$5.61	\$0.96	\$3.15	\$1.58
Underlying earnings (Note 2)										
– Basic	\$0.98	\$2.24	\$1.13	\$1.38	\$0.37	\$0.63	\$1.61	\$0.58	\$1.24	\$0.51
– Diluted	\$0.98	\$2.23	\$1.13	\$1.37	\$0.37	\$0.62	\$1.59	\$0.57	\$1.23	\$0.51
Dividends										
– Interim	17¢	17¢	17¢	17¢	–	17¢	17¢	15¢	15¢	13¢
– Final	58¢	59¢	58¢	57¢	36¢	54¢	54¢	51¢	51¢	43¢
– Total for the year/period	75¢	76¢	75¢	74¢	36¢	71¢	71¢	66¢	66¢	56¢
Shareholders' equity (Note 3)	\$28.7	\$29.5	\$27.8	\$26.3	\$24.9	\$24.5	\$22.4	\$17.3	\$16.0	\$13.1
Net assets (including non-controlling interests) (Note 3)	\$30.0	\$31.0	\$29.3	\$27.7	\$26.2	\$25.7	\$23.5	\$18.1	\$16.6	\$13.5
Net debt to equity ratio (Note 4)	1.1%	0%	0.5%	0%	0%	0%	0%	0%	0%	0%
Pay-out ratio	66%	29%	47%	39%	64%	53%	13%	69%	21%	35%
Underlying pay-out ratio (Note 2)	77%	34%	66%	54%	97%	113%	44%	114%	53%	109%
Number of shares issued (in Million)	4,497	4,485	4,479	4,477	4,473	4,472	4,159	4,146	4,145	4,143

Notes:

- In November 2011, the Board of Directors approved the change of the Group's financial year end date from June 30 to December 31. Thus, the Group had a six-month financial period from July 1 to December 31, 2011.
- To facilitate a better understanding of the Group's operational results, underlying net profit, earnings per share and pay-out ratio are presented by excluding the effect of changes in fair value of investment properties and investment properties under development and their related deferred tax and non-controlling interests.
- Based on year end balance divided by number of shares issued at the end of the reporting period.
- Net debt represents bank loans and other borrowings, floating rate notes and finance lease obligations, less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

FINANCIAL TERMS

Finance cost	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 the shareholders	Profit for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net profit attributable to the shareholders excluded changes in fair value of investment properties and investment properties under development 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 asset 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	= $\frac{\text{Operating profit before changes in fair value of investment properties}}{\text{Finance cost before capitalization less interest income}}$		

GENERAL TERMS

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
connected transaction	has the meaning ascribed to it in the Listing Rules
Board	board of Directors of the Company
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Properties Limited
Director(s)	director(s) of the Company or otherwise as the context may require
ERM	enterprise risk management
HKEx	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLGL	Hang Lung Group Limited (the ultimate listed holding company of the Company)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited
UK	the United Kingdom
US or USA	the United States of America

DIRECTORS

Ronnie C. Chan (*Chairman*)
Philip N.L. Chen (*Managing Director*)
Ronald J. Arculli *GBM, CVO, GBS, OBE, JP**
P.W. Liu *SBS, JP**
Dominic C.F. Ho*
Nelson W.L. Yuen*
Andrew K.C. Chan *BBS, JP**
H.K. Chang *GBS, JP**
Anita Y.M. Fung *BBS, JP**
H.C. Ho

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Dominic C.F. Ho (*Chairman*)
Andrew K.C. Chan *BBS, JP*
H.K. Chang *GBS, JP*
Anita Y.M. Fung *BBS, JP*

NOMINATION AND REMUNERATION COMMITTEE

Ronald J. Arculli *GBM, CVO, GBS, OBE, JP (Chairman)*
Dominic C.F. Ho
H.K. Chang *GBS, JP*

AUTHORIZED REPRESENTATIVES

Philip N.L. Chen
Bella P.L. Chhoa

COMPANY SECRETARY

Bella P.L. Chhoa

REGISTERED OFFICE

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel : 2879 0111
Fax : 2868 6086

INTERNET ADDRESS

Website: <http://www.hanglung.com>
Email address: HLProperties@hanglung.com

AUDITOR

KPMG
Certified Public Accountants

2015

JUL

Announcement of interim results July 30, 2015

SEP

Interim dividend paid September 30, 2015

2016

JAN

Announcement of annual results January 28, 2016

APR

Latest time for lodging transfers 4:30 p.m. on April 26, 2016
(for attending and voting at annual general meeting)

Closure of share register April 27 to 28, 2016
(for attending and voting at annual general meeting) (both days inclusive)

Annual general meeting 10:00 a.m. on April 28, 2016
(Details are set out in the notice of annual general meeting accompanying this annual report)

MAY

Latest time for lodging transfers (for final dividend) 4:30 p.m. on May 4, 2016

Closure of share register (for final dividend) May 5, 2016

Proposed final dividend payable May 18, 2016

204 LISTING INFORMATION

At December 31, 2015

4,497,175,670 shares listed on The Stock Exchange of Hong Kong Limited

STOCK CODE

Hong Kong Stock Exchange: 00101

Reuters: 0101.HK

Bloomberg: 101HK

BOARD LOT SIZE (SHARE)

1,000

AMERICAN DEPOSITARY RECEIPT (ADR)

Sponsored Level-1 (Over the Counter)

CUSIP Number/Ticker Symbol: 41043M104/HLPPY

ADR to Underlying Share Ratio: 1:5

Depository Bank: The Bank of New York Mellon

Website: <http://www.adrbnymellon.com>

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East, Wan Chai, Hong Kong

Tel: 2862 8555

Fax: 2865 0990

INVESTOR RELATIONS CONTACT

C.F. Kwan

Email address: ir@hanglung.com

SHARE INFORMATION

	Share Price		Total Trading Volume Number of Shares (‘000)	Share Price		Total Trading Volume Number of Shares (‘000)
	High HK\$	Low HK\$		High HK\$	Low HK\$	
2015						
First quarter	23.15	21.00	329,612	24.80	19.80	313,025
Second quarter	26.45	21.75	493,534	24.90	21.95	296,516
Third quarter	24.30	16.96	361,385	26.45	22.05	261,584
Fourth quarter	20.30	17.14	315,559	24.50	20.90	232,945
Share Price as at December 31, 2015:			HK\$17.64	Share Price as at December 31, 2014:		HK\$21.75
Market Capitalization as at December 31, 2015:			HK\$79.33 billion	Market Capitalization as at December 31, 2014:		HK\$97.56 billion

STOCK CODE
00101

