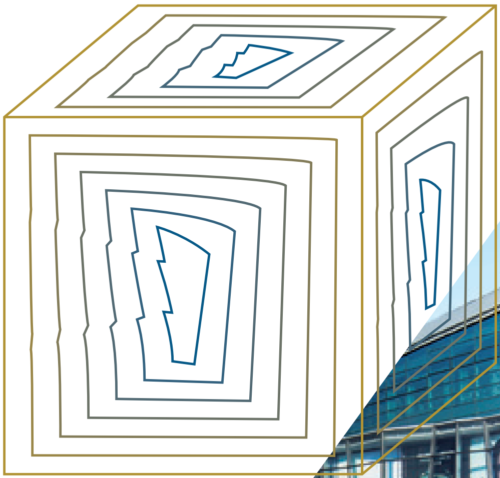
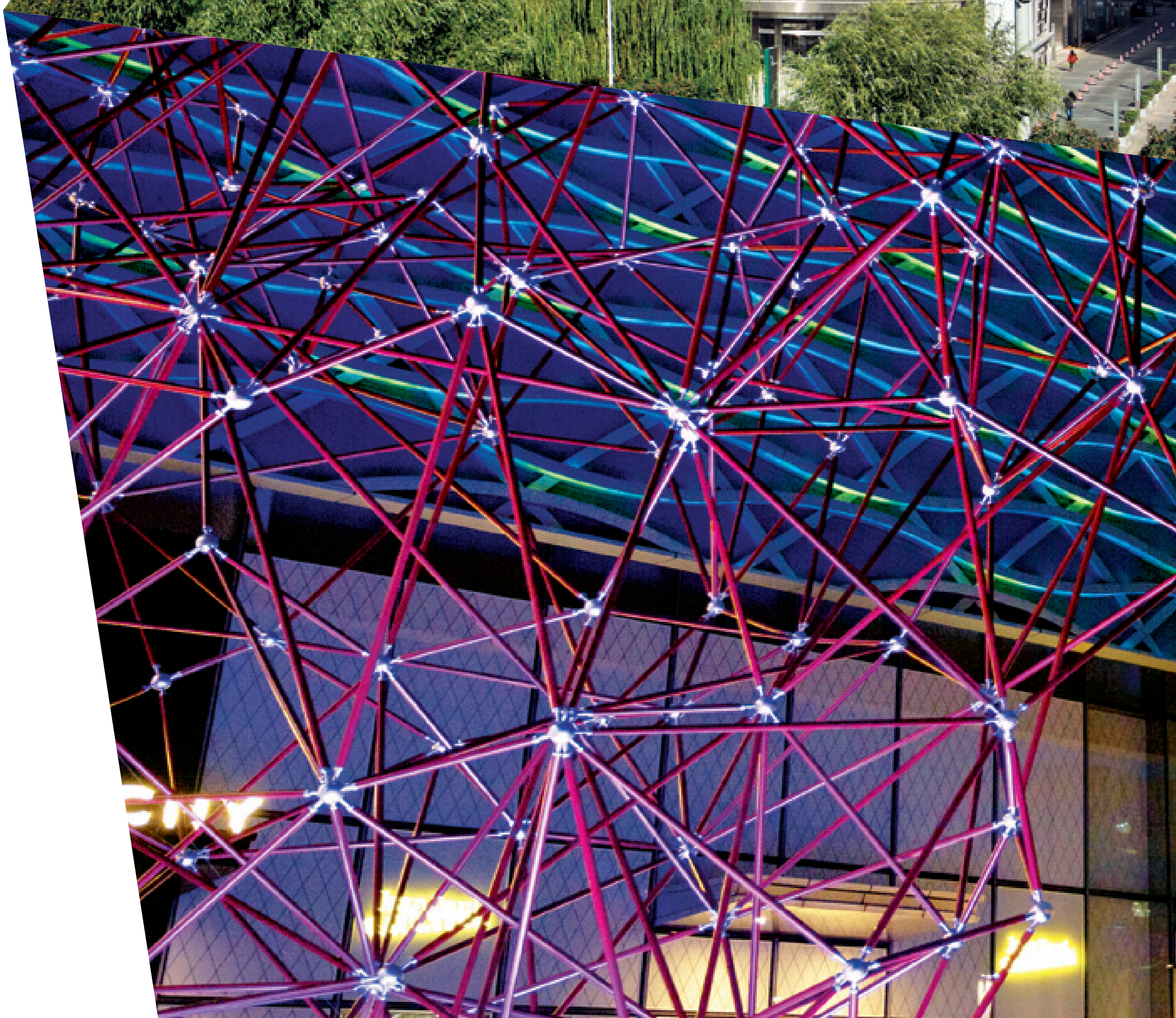
Solid Foundation



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

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

	Revenue			Occupancy Rate at Year-end 2015	
Name and City of the Property	**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. Retails 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.