



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