WHARF

*Established 1886*

# THE WHARF (HOLDINGS) LIMITED

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 4

# 2015 Final Results Announcement

## Resilient IP Core

**HIGHLIGHTS**

- Group core profit increased by 5% to HK$11.0 billion.
- Investment Properties ("IP") core profit increased by 9% to HK$8.3 billion.
- That underpinned a net IP revaluation surplus of HK$6.2 billion in a very tough market.
- IP's share of Group core profit increased to 76% (2014: 73%).
- Total assets were stable at HK$444 billion.
    - IP portfolio increased by 3% to HK$310 billion.
    - Development Properties ("DP") excluding joint ventures and associates decreased to HK$38 billion.
- Net debt decreased by HK$12 billion to HK$47 billion.
- Net debt to equity ratio fell below 15% (2014: 19%).
- Book net asset value increased to HK$308 billion (or HK$101.53 per share) net of decreases in exchange and investment reserves.

## GROUP RESULTS

Core profit for the year increased by 5% to HK$10,969 million (2014: HK$10,474 million).

Including IP revaluation surplus and other accounting gains/losses, Group profit attributable to equity shareholders for the year amounted to HK$16,024 million (2014: HK$35,930 million) for a 55% decrease from 2014. Basic earnings per share were HK$5.29 (2014: HK$11.86).

## DIVIDENDS

A first interim dividend of HK$0.55 per share was paid on 21 September 2015. In lieu of a final dividend, a second interim dividend of HK$1.35 per share will be paid on 26 April 2016 to Shareholders on record as at 6 April 2016. Total distribution for the year 2015 will amount to HK$1.90 (2014: HK$1.81) per share.

## BUSINESS REVIEW

### HONG KONG INVESTMENT PROPERTIES ("IP")

Hong Kong IP revenue growth slowed down in a tough market but produced solid results. Revenue increased by 7% to HK$12,165 million and operating profit by 6% to HK$10,516 million. The Group's prime and quality malls continued to provide the best operating environment for retailers to trade, to have effective market presence, and to enhance one-stop lifestyle experience for shoppers. Office performance added impetus.

### Harbour City

Overall revenue (excluding hotels) increased by 6% to HK$8,567 million and operating profit by 6% to HK$7,484 million.

### Retail

Retail revenue increased by 5% to HK$5,949 million. Occupancy rate was maintained at virtually 100%.

Despite a weak market, Harbour City remains a global showcase in the region for the world's coveted brands. Among the most productive malls in the world with critical mass (two million square feet of adjoining mall space) and outstanding tenant mix, Harbour City continues to receive robust retailers' demand and support. It also marks the core and anchor of the six-million-square-feet "Greater Harbour City" cluster of the golden square mile in Tsim Sha Tsui covering high-traffic shopping, entertainment, dining and lifestyle. To stay well ahead of the trends, Harbour City strives to improve its retail offering with aspirational, young and lifestyle brands as well as to organize exclusive marketing events to exceed customer expectations. These alongside the ongoing asset enhancement initiatives continue to bring pleasant surprises and excitement to shoppers.

New openings or commitments including *Miu Miu (Canton Road), Philipp Plein, J. Crew, Pandora, Sulwhasoo* and *Rado* further optimized the tenant mix. The introduction of various Hong Kong / Kowloon debuts across distinct categories including *Maison Margiela, Issey Miyake, Christian Louboutin Men* and *Tea WG Boutique* continued to uplift retail and culinary experience.

A number of renowned fashion brands have expressed keen interest in expansion in Harbour City. Committed expansions included *Jimmy Choo (flagship), Bottega Veneta, Prada, Giuseppe Zanotti* and *Roger Vivier*. Various performing lifestyle brands including *LOG-ON* have also expanded to better catch their strong trends.

Ocean Terminal's enhancement works, poised for further value creation, are taking shape and progressing to plan. Premises improvement including the retail and culinary upgrade on the third floor is making good headway. New exciting offerings including *Ballin, Leonard Paris, MM6, Pleats Please* and *Vivienne Westwood Café* are attracting incremental patronage. The extension building, targeted for opening by mid-2017, will create new culinary options with a wondrous panoramic view over the harbour and city skyline.

Conversion works on the fourth floor at Gateway were completed. *Adidas* (*flagship), China Tang* Kowloon debut and other pleasant retail concepts will be launched in 2016.

Harbour City's dominant position is further strengthened by its innovative marketing. "The Happiness Hunt – Where's Wally?", where the precious original artwork of Martin Handford was exhibited in Asia for the first time, successfully allured crowds and media noise. To support "Festive Korea", organized by The Consulate General of the Republic of Korea in Hong Kong, nearly 100 lanterns featuring 3-D die-cut Korean Words were set up at the Ocean Terminal Forecourt. During Christmas, Harbour City partnered with Hong Kong Disneyland to bring its 10th Anniversary Celebration theme "Happily Ever After" to life, with a Christmas Avenue featuring over 40 Disney friends, echoing the festive season.

**Office**

Demand for office space at Harbour City remained solid, mainly attributable to the banking & financial sector and Mainland companies. Revenue increased by 9% to HK$2,317 million as a result of positive rental reversion. Rents for new commitments remained stable while occupancy rate was 98% at year-end. Lease renewal retention rate was 76%.

**Times Square**

Revenue increased by 6% to HK$2,687 million, despite renovation temporarily disrupting certain retail area, and operating profit by 3% to HK$2,346 million.

**Retail**

The prominent 17-level mall design and expertly-managed trade mix of Times Square make it one of the most successful vertical malls globally. Situated atop Causeway Bay MTR Station, the iconic shopping landmark is, again, the core of a "Greater Times Square" cluster in the area. Proven management capabilities continued to drive rental growth. Retail revenue increased by 7% to HK$2,017 million with occupancy rate maintained at 99%.

New commitments or openings including *AMOREPACIFIC, Burberry Beauty, Laura Mercier, M.A.C, Origins, Stuart Weitzman, Kurt Geiger* and *kikki.K* widened the extensive product range. Overall tenant mix has been further refined with existing tenants committed to relocating with new images, including *Marks & Spencer, Adidas, Camper* and *Max & Co*. The recruitment of established F&B brands including *Haagen-Dazs dessert café, Greenhouse by Gaia Group* and *Joe & The Juice* further enriched dining offerings.

An array of featured kids' brands including *Kingkow, Marks & Spencer Baby* and *Watsons Baby* was introduced in "Kids Square", a new zone established on 13A floor, catering to a broader range of shoppers.

Conversion of the 9th floor and part of the 10th floor into a lifestyle hub was completed, with various new lifestyle brands, including *Donguri Republic*, *LABO Hair & Nail by IL COLPO*, *Lenscrafters*, *OSIM, OTO, Sugarman, Tic Tac Time* and *Tissot* introduced to enhance one-stop lifestyle experience. Part of the 10th floor has been renamed as "Square on 9th floor", and is now housing *Metro Kids by Metro Books, Hanbing Korean Dessert Cafe and Life Kan*, with enhanced circulation.

Constant marketing initiatives also spurred the success and brought endless surprises. Certain family friendly events were hosted, including Disney Pixar's Summer Blockbuster "Inside Out" Exhibition, the first-ever Star Wars Jedi Academy in Hong Kong, Gundam Docks at Hong Kong II, as well as Warner Brothers' Summer Blockbuster "PAN" Exhibition with Hugh Jackman's special appearance, effectively boosting publicity and footfall.

**Office**
Positive rental reversion lifted revenue modestly to HK$670 million. Occupancy rate was 98% at year-end. Lease renewal retention was maintained at 65%.

**Plaza Hollywood**
Plaza Hollywood, a leading mall in Kowloon East, performed solidly. Revenue increased by 3% to HK$529 million and operating profit was maintained at HK$398 million. Occupancy rate was 96% at year-end. Meticulous tenant mix enhancement further unleashed growth opportunities.

The prime location in Kowloon East, a vibrant CBD2, alongside excellent transport connections affirms the enormous growth potential for Plaza Hollywood. The mall is easily accessible with its favourable location atop Diamond Hill MTR Station, the future interchange hub for the new Shatin-Central link with the existing MTR network, and its direct linkage with the Diamond Hill bus terminus. It is also in close proximity to the Tate's Cairn tunnel, a vehicular artery connecting Kowloon East with the New Territories and beyond to Shenzhen. Various adjacent cultural landmarks and tourist attractions further distinguish Plaza Hollywood from other malls in the region.

The deliberate design without towers provides Plaza Hollywood with maximum planning flexibility. With a highly efficient layout (65% of GFAs is lettable), the mall's competitive edge also lies in its valuable critical mass for shoppers and retailers (over 250 retail outlets, 20 restaurants, and a purposely-built stadium seating six-screen cinema multiplex with 1,614 seats).

**CHINA INVESTMENT PROPERTIES**
China IP began to bear fruit, lifting revenue by 16% to HK$2,305 million, and operating profit by 25% to HK$1,243 million. In particular, Chengdu IFS showed continued strength, with retail performance exceeding the Group's expectation. Its distinguished positioning makes it stand out in a tough market.

**In Operation**
**Chengdu IFS**

**Retail**
Retail revenue increased by 25% to RMB605 million. Occupancy rate was virtually 100%.

Riding on its unrivalled location, critical mass, high calibre management and services, as well as the 15-metre-tall outdoor giant panda art installation, Chengdu IFS has quickly become a trend-setter and a one-stop lifestyle, shopping and entertainment landmark in Western China since its opening in 2014. The appealing mega mall offers exceptional brand diversity, housing nearly 300 global premium brands including over 100 Western China debuts. A 7,700-square-metre Sculpture Garden showcasing a range of sculptures created by artists from different parts of the world and a host of entertainment offerings including a UA (IMAX) movie theatre, a bowling centre and an ice skating rink have been well-received by shoppers.

Trade-mix was further refined with the introduction of various new brands and culinary options including *Creemee J, Ed Hardy, Hollys Coffee, Hublot, Roberto Cavalli Junior, Shiseido SPA , Zenith, 皇城老媽* and *南小館*. Various marketing events including "CDIFS x Sticky Monster Lab Sports Meet" featuring a 140-metre inflatable Sticky Monster Lab City Runway set up along Hongxing Road and "2015 International Vertical Marathon – Chengdu" drove patronage. In 2015, Chengdu IFS garnered various reputable awards including Gold Award of "*ICSC Asia Pacific Shopping Centre Awards 2015 (Design & Development)*" and "*2015 Western Commercial Real Estate Value List - The Most Demonstrative City Complex in Western China*" by Western China Commercial Real Estate Association & Sichuan Chain Business Association, in recognition of its proven management expertise.

**Office**

Defining tomorrow's finest premium offices in Western China, the three top-quality Grade A office towers are the most desirable location for multinationals, financial and major corporations. It is well-positioned to be a marketplace for tenants to forge connections and to conduct seamless business interaction. The leasing of office towers is at full steam, with solid demand from prestigious tenants. 90,200 square metres (33% of total GFA) have been leased, including nearly 50,000 square metres in 2015. Rental rates achieved (RMB130-170 per square metre per month) were among the highest in the city.

**Shanghai Wheelock Square**

Representing the finest premium office address and the tallest in Puxi, the 270-metre iconic tower with excellent transportation network remained the most preferred location for multinationals and major corporations. It is conveniently located right opposite to Jing'an Temple Metro Station from where frequent trains commute to Pudong International Airport and is adjacent to the Yan'an elevated expressway. It also sits between the Bund and Zhong Shan Xi Road with Hongqiao International Airport further to the west.

Occupancy rate was maintained at 98% at year-end. Lease renewal retention rate was 81% with solid rental reversion (11%). Thanks to its top-notch services and management, Wheelock Square was awarded "*The Safe Unit in Jing'an District 2014*" by the Shanghai Jing'an District Security Governed Committee and "*The Integrated Security Access Liability 2014 — Excellence Class*" by the Jing'an Roads & Street Governed Committee.

**Shanghai Times Square**

The elite retail destination, strategically located on Huaihai Road, is home to the largest *Lane Crawford* store in China and a mega lifestyle specialty store *CitySuper*. The mall was virtually fully let. Constant refinement of tenant mix and culinary experiences added excitement. Character-themed marketing events successfully garnered young customers' attention and sustained interaction with families and kids. Ju Ming Exhibition, the 4th stop in China, further drove traffic and sales. The offices were nearly 100% occupied at year-end. Lease renewal retention rate was 82%.

**Chengdu Times Outlet**

Chengdu Times Outlet, offering over 250 top international luxury brands at discounted prices, remained one of the most visited outlet destinations. This 63,000-square-metre mall posted a 16% growth rate in retail sales during the year.

**Under Development**

The Group has a quite full pipeline of IFS and Times Outlet developments, which are progressing at full speed to accelerate growth momentum. These are expected to be a significant earnings and valuation growth driver. Times Outlet and IFS complex in Chengdu delivered strong results. The Group continued to implement best practices on retail-oriented IFS complexes in Chongqing and Changsha to tap strong experience-oriented consumption in the Western/ Central China metropolis in the years to come.

Strategically located at the heart of their respective core CBDs, Chengdu IFS and Changsha IFS (designed by renowned architects) are set to transcend Harbour City and Times Square in terms of scale and local market positioning.

| **Multi-use developments** | **Chengdu IFS** | **Changsha IFS** |
|---|---|---|
| Total development area<br>*In Hong Kong, Harbour City (9.1M* square feet*); Times Square (2.2M* square feet*)* | 8.2M square feet, comprising a 2.2M square feet mall, three premium Grade A office towers, a luxurious residential tower and a Niccolo hotel | 11M square feet, featuring a 2.5M square feet mall, an iconic 452-metre tower and a 315-metre tower above the mall — offering upscale retail, Grade A offices and a Niccolo hotel |
| Retail Street frontage<br>*Harbour City's Canton Road 530-metre frontage* | 530-metre | 700-metre |
| Location<br>*Comparable to a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui.* | At the intersection of Hongxing Road, Dacisi Road and Beishamao Street, the busiest pedestrian shopping area | In Furong District's Jiefang Road, in close proximity to Huangxing Road, one of the busiest pedestrian streets.<br>Flanked by financial institutions and a traditional shopping cluster |
| MTR Station | Directly connected to MTR station (Lines 2 and 3 intersect) | Underground linkage to future Wuyi Plaza Station Lines 1 (under construction) and 2 |
| Completion | Full completion: 2016 | In phases from 2016. Mall opening is targeted for the third quarter of 2017 |

**Changsha IFS**

Changsha IFS, the most sizable mixed-use IFS complex with a 230,000-square-metre mega mall, is well positioned to be the ultimate shopping, dining, lifestyle and leisure destination in Hunan province. Currently, over 75% of total retail area was under offer to tenants or discussion.

Setting a new standard for future offices, the premier office towers will be among the most coveted addresses for financial institutions based in the province.

The third Niccolo luxury hotel is set to open at Changsha IFS.

**Chongqing IFS**
Prominently located in Jiangbei District (Chongqing's new CBD), 50%-owned Chongqing IFS will comprise an iconic 300-metre landmark tower and four other towers above a 102,000-square-metre retail podium, making it the largest mixed-use complex in the region. The development will feature a mega mall (a boutique-sized Harbour City), Grade A offices and the second Niccolo luxury hotel. Over 85% of the retail floor plates were under offer to tenants or discussion with key anchors and various major players under serious discussion. Over 80% of office Tower Two and Three was sold. Full completion is scheduled for 2016. The mall is poised to open in early 2017.

**Suzhou IFS**
Ideally located in the CBD overlooking Jinji Lake, 80%-owned Suzhou IFS (total GFA: 278,000 square metres) is a 450-metre landmark development comprising international Grade A offices, luxury apartments and a 133-room Niccolo luxury hotel. In close proximity to Xinghu Street MTR Station (Line 1), the development is scheduled for full completion in 2017.

**Changsha Times Outlet**
Located at the northwest area of Changsha, 70,000-square-metre Changsha Times Outlet has direct access to multiple major motorways (including metro and high-speed expressway) connecting Changsha to various popular tourist attractions nationwide including Zhangjiajie and Donting Lake. Construction work is underway with completion scheduled for 2016.

**CHINA DEVELOPMENT PROPERTIES ("DP")**
Inclusive of joint ventures and associates on an attributable basis, revenue increased by 18% to HK$27,404 million and operating profit by 51% to HK$4,200 million. 1,587,000 square metres of GFA were completed and recognized in 2015 (2014: 1,662,000 square metres).

Against the backdrop of a slowing economy, the government's easing measures supported the property market in 2015. The Group's attributable interest in contracted sales increased by 21% to RMB26 billion, above target by 21%. The net order book (net of business tax) increased to RMB25 billion for 1.4 million square metres at year-end.

In China East, favourable responses were received for the projects in Shanghai, Suzhou and Hangzhou. In Shanghai, 濱江壹十八, Zhoupu and Songjiang Xianhe Road projects, in aggregate, sold another 131,800 square metres for RMB5.8 billion. On an attributable basis, South Station and Magnolia Mansion sold a further 32,700 square metres for combined proceeds of RMB1.3 billion. In Suzhou, Times City, Bellagio and Ambassador Villa, in aggregate, sold a further 290,600 square metres for RMB5.5 billion. In Hangzhou, Palazzo Pitti and Royal Seal sold another 86,400 square metres for combined proceeds of RMB2.9 billion.

The projects on sale in other regions of China also met with positive responses.

In 2015, the Group acquired six DP sites in Beijing, Hangzhou and Foshan directly or through joint ventures for RMB4.7 billion (GFA: 0.26 million square metres) on an attributable basis. In February 2016, the Group purchased a DP site in Beijing through a joint venture for RMB2.1 billion on an attributable basis (GFA: 47,800 square metres). Inclusive of China IP, the current land bank was maintained at 8.4 million square metres, spanning 15 cities.

The Group will continue to adopt a selective and disciplined approach to further land purchases, with focus on fewer target cities.

## The Peak Portfolio & Other Hong Kong Properties

### The Peak Portfolio

Wharf's Peak Portfolio prides itself on the display of a landmark collection of the most luxurious residences nestled on the Peak. These premier developments (attributable GFA: at least 397,000 square feet) with an estimated combined value of HK$28 billion (or about HK$70,000 per square foot of GFA) epitomize exclusive and exquisite living.

Mount Nicholson, a 50:50 joint venture development with Nan Fung Group (attributable GFA: 162,000 square feet), offers exclusive, prestigious residences boasting a fantastic view towards Victoria Harbour. Occupation permit was obtained in phases in October 2015 and February 2016. Sale commenced in February 2016 on a targeted basis and the first villa has been sold for HK$830 million or HK$87,800 per square foot.

Superstructure/ Foundation works for the re-development of the Peak Portfolio including 1 Plantation Road (20 houses), 11 Plantation Road (7 houses) and 77 Peak Road (8 houses) are in good progress.

### Other Hong Kong Properties

The immense untapped potential in Kowloon East is being gradually unlocked, supporting the Group's exceptional "Kowloon East Waterfront Portfolio". Comprising Kowloon Godown, Wharf T&T Square and Wheelock's One Bay East at the heart of the vibrant CBD2, the portfolio spans a 500-metre coastline with a stunning Harbour view.

Foundation works for the re-development of Wharf T&T Square is progressing well.

Peninsula East, a residential property redevelopment project in close proximity to Yau Tong MTR station, is scheduled for completion in 2016. All 256 units were sold out promptly in the first two days of its launch in April 2015, generating total proceeds of HK$2.0 billion.

## HOTELS

The Group currently operates 14 Marco Polo hotels in the Asia Pacific region, six of which are owned by the Group. A solid pipeline of new hotels (including six owned hotels) is set to expand Marco Polo's portfolio in Asia Pacific over the next few years. The new hotels are poised to offer superb design and impeccable service.

The Group recently launched an exclusive collection of "sophisticated urban chic" hotels under the luxury brand Niccolo, with the first one opened in Chengdu IFS in April 2015. Thanks to its world-class services and hospitality, Niccolo Chengdu has fast become the city's epicenter for events including the recent UK China Urbanization Forum. With 230 luxurious guest rooms and suites, a selection of exceptional dining experiences, and The Conservatory & Ballroom overlooking the grand IFS Sculpture Garden, it is an absolute delight for modern travellers and stays popular among its peers. It commands one of the top room yields in the city and in less than a year after opening, it has won "*Best Luxury Wedding Hotel*" by CHINA MAG, "*Best New Hotel Brand – Luxury*" at the 5th China Hotel Awards, as well as "*Best New Hotels*" at the 2015 China Travel Awards, hosted by Travel+ Magazine.

Another three Niccolo hotels will be opened in the IFS complexes in Chongqing, Changsha and Suzhou, all set in the most desirable addresses.

Conversion of the iconic Murray Building in Hong Kong into another sophisticated urban chic hotel is progressing to plan. The hotel is targeted for opening in 2017.

**MODERN TERMINALS**

Global trade flows remained subdued amid the wobbling economies in Europe and the U.S. In 2015, South China's container throughput dropped by 4% from a year earlier. Shenzhen's throughput increased by 2%, while Kwai Tsing's throughput declined by 12%. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

Consolidated revenue at Modern Terminals was HK$2,739 million, 15% lower than in 2014, driven by lower throughput in the face of market downturn and a shift in core shipping alliance volumes. Operating profit was HK$676 million, 35% lower than in 2014.

In the Mainland, throughput at Da Chan Bay Terminals in Shenzhen slid by 2% to 1.2 million TEUs, while throughput at Taicang International Gateway in Suzhou grew by 23% to 2.2 million TEUs. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, declined by 3% to 4.6 million TEUs. Chiwan Container Terminal in Shenzhen, in which Modern Terminals holds an 8% attributable stake, handled 2.3 million TEUs.

In July 2015, Modern Terminals sold 50% of its indirect interest in Taicang Container port business to Ningbo Port Co. Ltd. A disposal gain of HK$908 million including a revaluation surplus in respect of its remaining 50% interest was booked in 2015.

Net of an exchange loss of HK$239 million due to RMB movements (2014: loss HK$20 million), total profit attributable to shareholders improved by 66% to HK$1,641 million.

**COMMUNICATIONS, MEDIA & ENTERTAINMENT**

**i-CABLE**

i-CABLE's airtime and subscription sales were affected as Hong Kong's economy dipped and competition intensified. This has made it harder to turn around i-CABLE's financial performance in the near future. Notwithstanding a contraction of subscriber base, early signs of subscription revenue stabilization were seen towards the end of 2015 as a result of i-CABLE's efforts to drive up price points. That said, it is still too early to tell when subscription revenues might bottom out. i-CABLE will continue to make smart investments in HD channels, network infrastructures and content to enhance its services and brand.

**Wharf T&T**

Wharf T&T experienced a challenging 20$^{th}$ Anniversary as business customers were prudent on new ICT investment in a slowed economy. However, underpinned by its ability to provide a rich portfolio of superior ICT solutions, Wharf T&T continued to register resilient progress in its growth journey against a very competitive market. Total turnover rose by 2% to HK$1,991 million and operating profit by 3% to HK$362 million. Core fixed line revenue posted solid growth with data business further gaining ground in market penetration backed by its extensive Fibre-to-the-Desk (FTTD) coverage. Free cash flow improved by 18% to HK$450 million.

Subsequent to the end of 2015, Wharf T&T has acquired PIHK Network Limited, which operates a very successful non-network infrastructure-based business internet service. This inorganic addition to the customer base, revenue and profitability will provide even better scale to compete and win in this market. It will bring the Company's customer base close to 60,000 business enterprises in Hong Kong.

**Strategic Review**

In 2015, the Communications, Media & Entertainment segment under Wharf Communications represented 9% of Group turnover and 1% of Group operating profit. The market has changed drastically since these businesses started over 20 years ago and the pace of change has accelerated. We have recently commenced a strategic review to evaluate different options to enhance these businesses. The review does not have any definite timetable of completion and the Group will remain focused on executing its operations and business plan in the ordinary course of business during the review.

## FINANCIAL REVIEW

### (I) Review of 2015 results

Group core profit grew year-on-year by 5% to HK$10,969 million (2014: HK$10,474 million) in 2015. The increase reflected the resilience of Investment Properties ("IP") gaining 9% core profit growth to HK$8,346 million, representing 76% (2014: 73%) of the Group's core profit. Development Property ("DP") core profit, including joint ventures and associates but excluding Greentown, grew by 48% to HK$1,211 million with more phased completion and revenue recognition for higher margin projects.

Profit attributable to shareholders was HK$16,024 million (2014: HK$35,930 million), decreasing by 55% mainly as a result of lower IP revaluation surplus arising from the year end revaluation.

Revenue and Operating Profit

IP revenue grew at slower pace than previous years but managed to increase by 8% to HK$14,470 million (2014: HK$13,397 million). Hong Kong increased by 7% to HK$12,165 million, attributable to the firm retail base rent persistently achieved from lease commitments and stable positive rental reversion for offices in both Harbour City and Times Square. In Mainland, revenue increased by 16% to HK$2,305 million, benefitting from the escalating revenue from Chengdu IFS. Operating profit grew by 8% to HK$11,759 million (2014: HK$10,896 million) with Hong Kong increasing by 6% to HK$10,516 million and Mainland by 25% to HK$1,243 million.

DP reported 16% higher property sales recognition to HK$18,018 million (2014: HK$15,539 million). Operating profit increased by 27% to HK$2,241 million (2014: HK$1,762 million) with overall higher margins from Mainland projects. Including the attributable sales recognised by joint ventures and associates, total China DP sales recognition increased by 18% to HK$27,404 million (2014: HK$23,270 million) and operating profit increased by 51% to HK$4,200 million (2014: HK$2,779 million).

Hotel revenue dropped by 3% to HK$1,549 million (2014: HK$1,600 million). Revenue from Hong Kong was adversely impacted by the weak market but compensated by the new source of revenue from the hotels newly opened in Mainland China. Operating profit decreased by 28% to HK$278 million (2014: HK$387 million), partly affecting by the decline in Hong Kong revenue and partly by pre-maturity operating losses from Marco Polo Changzhou and Niccolo Chengdu.

Logistics revenue fell by 14% to HK$2,848 million (2014: HK$3,319 million) and operating profit by 34% to HK$689 million (2014: HK$1,051 million), principally reflecting lower throughput handled by Modern Terminals as a result of the sluggish global trade flows.

CME revenue fell by 3% to HK$3,501 million (2014: HK$3,616 million). Wharf T&T's revenue increased by 2% against i-CABLE's 9% decrease. Operating profit shrank by 47% to HK$112 million (2014: HK$211 million) as i-CABLE's operating loss widened to HK$246 million though Wharf T&T's operating profit increased by 3% to HK$362 million.

Investment and others revenue fell by 24% to HK$787 million (2014: HK$1,035 million) and operating profit by 35% to HK$464 million (2014: HK$714 million), primarily due to decrease in interest income.

Consolidated revenue and operating profit rose by 7% and 4% to HK$40,875 million and HK$14,853 million, respectively.

China DP Contracted Sales

Inclusive of joint ventures and associates (other than Greentown) on an attributable basis, the Group recorded a 21% increase in contracted property sales of RMB26,044 million (2014: RMB21,454 million). Net order book increased to RMB24,635 million (2014: RMB21,921 million), which is available for revenue recognition in stages on completion of relevant DP projects.

Fair Value Gain of Investment Properties

The book value of the Group's IP portfolio as at 31 December 2015 slightly increased to HK$310.2 billion (2014: HK$301.9 billion) with HK$292.9 billion thereof stated at fair value based on independent valuations as at that date, which produced a revaluation gain of HK$6,729 million (2014: HK$28,293 million). The attributable net revaluation gain of HK$6,231 million (2014: HK$27,683 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$17.3 billion is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Charge

Other net charge of HK$460 million (2014: HK$1,743 million) mainly included a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's entire 24.3% interest in Greentown at the prevailing market value upon classification of such interest as financial investment instead of as an associate in June 2015. The Greentown interest was acquired in June 2012 at cost of HK$2,729 million with an accounting gain representing the negative goodwill of HK$2,233 million when the equity-interest was accounted for as an associate.

Partly offsetting the above charge is a gain of HK$908 million arising from Modern Terminals' partial disposal of its equity interests in the Taicang container port businesses and a net profit of HK$187 million from disposals of available-for-sale investment.

Included in the net charge of 2014 was a provision for diminution in value of certain Mainland DP projects of HK$1,812 million.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$1,879 million (2014: HK$1,930 million), including an unrealised mark-to-market loss of HK$406 million (2014: HK$230 million) on the cross currency / interest rate swaps in accordance with the prevailing accounting standards. Net of non-controlling interests, the mark-to-market loss is HK$405 million (2014: HK$229 million).

Excluding the unrealised mark-to-market loss, finance costs before capitalisation were HK$2,151 million (2014: HK$2,604 million), representing a decrease of HK$453 million. The Group's effective borrowing rate for the period was 2.8% (2014: 3.2%).

Excluding the unrealised mark-to-market loss, finance costs after capitalisation of HK$678 million (2014: HK$904 million) in respect of the Group's related assets were HK$1,473 million (2014: HK$1,700 million), representing a decrease of HK$227 million.

Share of Results (after tax) of Associates and Joint Ventures

Associates recorded attributable profit decrease of 8% to HK$1,156 million (2014: HK$1,262 million), mainly due to non-equity-accounting of Greentown upon classification of it as financial investment instead of an associate since June 2015. Other Mainland DP reported a growth to HK$742 million (2014: HK$247 million).

Joint ventures reported a profit of HK$236 million (2014: loss of HK$11 million) benefitting from higher profit contributions of Mainland DP.

Income Tax

Taxation charge for the year was HK$3,829 million (2014: HK$3,730 million), which included deferred taxation of HK$488 million (2014: HK$543 million) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 5% to HK$3,341 million (2014: HK$3,187 million) mainly due to higher profits from the IP and DP segments.

Non-controlling Interests

Group profit attributable to non-controlling interests increased by 58% to HK$782 million (2014: HK$494 million), reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2015 amounted to HK$16,024 million (2014: HK$35,930 million), decreasing by 55% mainly as a result of lower IP revaluation surplus arising from the year end revaluations. Basic earnings per share were HK$5.29, based on weighted average of 3,031 million shares (2014: HK$11.86 based on 3,030 million shares).

Excluding the net IP revaluation gain of HK$6,231 million (2014: HK$27,683 million), Group profit attributable to shareholders for the year was HK$9,793 million (2014: HK$8,247 million), representing an increase of 19%.

Group's core profit rose by 5% year-on-year to HK$10,969 million (2014: HK$10,474 million), of which 76% was attributable to IP and 11% was attributable to DP. IP core profit increased by 9% to HK$8,346 million (2014: HK$7,624 million) and DP core profit, including contributions from joint ventures and associates but excluding Greentown investment, increased by 48% to HK$1,211 million (2014: HK$816 million). Core earnings per share were HK$3.62 (2014: HK$3.46).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding the net IP revaluation gain, loss of HK$1,620 million (2014: Nil) arising from the deemed disposal of Greentown, attributable disposal gain of HK$613 million (2014: Nil) from Modern Terminals' disposal of its interest in Taicang container port businesses and attributable net mark-to-market loss and exchange of HK$169 million (2014: HK$229 million) on certain financial instruments.

## (II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2015, shareholders' equity increased by HK$2.2 billion or 1% to HK$307.7 billion (2014: HK$305.5 billion), equivalent to HK$101.53 per share based on 3,031 million issued shares (2014: HK$100.82 per share based on 3,030 million issued shares). Included in the shareholders' equity was a net exchange deficit of HK$6.5 billion arising from translation of RMB net assets and an investment revaluation deficit of HK$2.0 billion in the current year.

The Group's total equity including the non-controlling interests increased by HK$3.1 billion to HK$317.2 billion (2014: HK$314.1 billion).

Assets

The Group's total assets as at 31 December 2015 amounted to HK$443.9 billion (2014: HK$444.7 billion). Total business assets, excluding bank deposit and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, amounted to HK$414.8 billion (2014: HK$422.4 billion).

Including in the Group's total assets is the IP portfolio of HK$310.2 billion, representing 75% of its total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which were valued at HK$163.3 billion (excluding the three Marco Polo hotels) and HK$54.1 billion, respectively, together representing 70% of the IP portfolio. Mainland IP amounted to HK$58.1 billion, including those under development at a cost of HK$17.1 billion.

DP (mainly in the Mainland) amounted to HK$37.8 billion (2014: HK$47.5 billion). In addition, Mainland DP undertaken through associates and joint ventures amounted to HK$25.5 billion (2014: HK$32.4 billion). Other major business assets included property, plant and equipment of HK$22.8 billion.

Geographically, the Mainland business assets, mainly comprising properties and terminals, amounted to HK$139.8 billion (2014: HK$155.1 billion), representing 34% (2014: 37%) of the Group's total business assets.

Debt and Gearing

The Group's net debt as at 31 December 2015 decreased by HK$12.1 billion or 20% to HK$47.2 billion (2014: HK$59.3 billion), which was made up of HK$70.7 billion in debt and HK$23.5 billion in bank deposits and cash. Included in the net debt was HK$7.3 billion (2014: HK$10.3 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$39.9 billion (2014: HK$49.0 billion). An analysis of the net debt is set out below:

| **Net debt/(cash)** | **31 December 2015 HK$ Million** | 31 December 2014 HK$ Million |
|---|---|---|
| Wharf (excluding below subsidiaries) | **39,863** | 48,965 |
| Modern Terminals | **8,763** | 11,023 |
| HCDL | **(1,647)** | (767) |
| i-CABLE | **218** | 38 |
| | **47,197** | 59,259 |

As at 31 December 2015, the ratio of net debt to total equity declined to 14.9% (2014: 18.9%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2015 amounted to HK$93.3 billion, of which HK$70.7 billion was utilised, are analysed below:

| | **31 December 2015** | | |
|---|---|---|---|
| | **Available Facilities HK$ Billion** | **Total Debt HK$ Billion** | **Undrawn Facilities HK$ Billion** |
| Company/wholly-owned subsidiaries | | | |
| Committed bank facilities | 41.6 | 25.6 | 16.0 |
| Debt securities | 31.0 | 31.0 | - |
| | 72.6 | 56.6 | 16.0 |
| Non-wholly-owned subsidiaries | | | |
| Committed and uncommitted | | | |
| - Modern Terminals | 14.3 | 9.0 | 5.3 |
| - HCDL | 5.8 | 4.8 | 1.0 |
| - i-CABLE | 0.6 | 0.3 | 0.3 |
| | 93.3 | 70.7 | 22.6 |

Of the above debt, HK$4.0 billion (2014: HK$7.8 billion) was secured by a mortgage over certain IP, DP and property, plant and equipment with total carrying value of HK$24.3 billion (2014: HK$39.9 billion).

The Group diversified the debt portfolio across a bundle of currencies including primarily United States dollar ("USD"), Hong Kong dollar ("HKD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance the Group's IP, DP and port investments.

The use of derivative financial instruments is strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group are primarily used for management of the Group's interest rate and foreign currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$8.1 billion (2014: HK$3.7 billion), which is immediately available for liquidation for the Group's use when in need.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net cash inflows before changes in working capital of HK$16.0 billion (2014: HK$15.1 billion). The changes in working capital increased the net cash inflow from operating activities to HK$24.1 billion (2014: HK$18.3 billion). For investing activities, the Group recorded a cash outflow of HK$7.3 billion (2014: HK$10.7 billion), mainly for construction costs of IP in Mainland, net purchase of available-for-sale investments, compensated by proceeds from Modern Terminal's disposal of Taicang.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2015 is analysed as follows:

A. Major capital and development expenditure

| | Hong Kong HK$ Million | Mainland China HK$ Million | Total HK$ Million |
|---|---|---|---|
| **Properties** | | | |
| IP | 1,218 | 4,137 | 5,355 |
| DP | 889 | 15,912 | 16,801 |
| | 2,107 | 20,049 | 22,156 |
| **Others** | | | |
| Hotels | 357 | 15 | 372 |
| Modern Terminals | 257 | 37 | 294 |
| Wharf T&T | 330 | 1 | 331 |
| i-CABLE | 207 | - | 207 |
| | 1,151 | 53 | 1,204 |
| **Group total** | 3,258 | 20,102 | 23,360 |

i. IP expenditure incurred during the year was mainly for the renovation of Harbour City and construction costs of the Mainland IFS projects.

ii. DP expenditure in 2015 included HK$8.5 billion attributable to DP projects undertaken by associates and joint ventures.

iii. Modern Terminals' capital expenditure was mainly for terminal equipment while those of Wharf T&T and i-CABLE were incurred substantially for facilities and equipment.

B. Commitments to capital and development expenditure

As at 31 December 2015, the Group's major commitments to capital and development expenditure that are to be incurred in the forthcoming years was estimated at HK$47.8 billion, of which HK$25.3 billion was committed. By segment, the commitments are analysed as below:

| | As at 31 December 2015 | | |
|---|---|---|---|
| | **Committed HK$ Million** | **Uncommitted HK$ Million** | **Total HK$ Million** |
| **IP** | | | |
| Hong Kong | 2,027 | 477 | 2,504 |
| Mainland China | 8,714 | 5,144 | 13,858 |
| | 10,741 | 5,621 | 16,362 |
| **DP** | | | |
| Hong Kong | 459 | - | 459 |
| Mainland China | 11,800 | 16,289 | 28,089 |
| | 12,259 | 16,289 | 28,548 |
| **Others** | | | |
| Hotels | 1,999 | 235 | 2,234 |
| Modern Terminals | 150 | 24 | 174 |
| Wharf T&T | 119 | 50 | 169 |
| i-CABLE | 25 | 245 | 270 |
| | 2,293 | 554 | 2,847 |
| **Group total** | 25,293 | 22,464 | 47,757 |

Properties commitments are mainly for land and construction costs, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages in the forthcoming years.

The above commitments and planned expenditure will be funded by the Group's internal financial resources including its surplus cash, cash flows from operations, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

## (III) Human Resources

The Group had approximately 14,600 employees as at 31 December 2015, including about 2,400 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

## CONSOLIDATED INCOME STATEMENT
**For The Year Ended 31 December 2015**

| | Note | **2015 HK$ Million** | 2014 HK$ Million |
|---|---|---|---|
| **Revenue** | 2 | **40,875** | 38,136 |
| Direct costs and operating expenses | | **(21,282)** | (19,472) |
| Selling and marketing expenses | | **(1,560)** | (1,363) |
| Administrative and corporate expenses | | **(1,632)** | (1,496) |
| Operating profit before depreciation, amortisation, interest and tax | | **16,401** | 15,805 |
| Depreciation and amortisation | | **(1,548)** | (1,522) |
| **Operating profit** | 2 & 3 | **14,853** | 14,283 |
| Increase in fair value of investment properties | | **6,729** | 28,293 |
| Other net charge | 4 | **(460)** | (1,743) |
| | | **21,122** | 40,833 |
| Finance costs | 5 | **(1,879)** | (1,930) |
| Share of results after tax of: | | | |
| Associates | | **1,156** | 1,262 |
| Joint ventures | | **236** | (11) |
| Profit before taxation | | **20,635** | 40,154 |
| Income tax | 6 | **(3,829)** | (3,730) |
| **Profit for the year** | | **16,806** | 36,424 |
| | | | |
| **Profit attributable to**: | | | |
| Equity shareholders | | **16,024** | 35,930 |
| Non-controlling interests | | **782** | 494 |
| | | **16,806** | 36,424 |
| | | | |
| **Earnings per share** | 7 | | |
| Basic | | **HK$5.29** | HK$11.86 |
| Diluted | | **HK$5.29** | HK$11.86 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For The Year Ended 31 December 2015**

| | 2015 HK$ Million | 2014 HK$ Million |
|---|---|---|
| **Profit for the year** | **16,806** | 36,424 |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange difference on: | **(5,554)** | (426) |
| Translation of foreign operations | **(5,437)** | (426) |
| Transferred to profit or loss on disposal of a subsidiary | **(117)** | - |
| Net deficit on available-for-sale investments: | **(2,032)** | (76) |
| Deficit on revaluation | **(1,508)** | (76) |
| Transferred to profit or loss on disposal | **(524)** | - |
| Share of other comprehensive income of associates / joint ventures | **(1,272)** | (288) |
| Others | **10** | 9 |
| **Other comprehensive income for the year** | **(8,848)** | (781) |
| **Total comprehensive income for the year** | **7,958** | 35,643 |
| **Total comprehensive income attributable to:** | | |
| Equity shareholders | **7,629** | 35,157 |
| Non-controlling interests | **329** | 486 |
| | **7,958** | 35,643 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## At 31 December 2015

| | Note | **31 December 2015 HK$ Million** | 31 December 2014 HK$ Million |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **310,177** | 301,890 |
| Property, plant and equipment | | **22,779** | 25,027 |
| Interest in associates | | **17,785** | 22,449 |
| Interest in joint ventures | | **17,612** | 19,030 |
| Available-for-sale investments | | **8,102** | 3,740 |
| Goodwill and other intangible assets | | **305** | 305 |
| Deferred tax assets | | **700** | 673 |
| Derivative financial assets | | **585** | 885 |
| Other non-current assets | | **237** | 209 |
| | | **378,282** | 374,208 |
| **Current assets** | | | |
| Properties for sale | | **37,768** | 47,543 |
| Inventories | | **46** | 48 |
| Trade and other receivables | 9 | **3,974** | 3,851 |
| Derivative financial assets | | **336** | 283 |
| Bank deposits and cash | | **23,510** | 18,725 |
| | | **65,634** | 70,450 |
| **Total assets** | | **443,916** | 444,658 |
| **Non-current liabilities** | | | |
| Derivative financial liabilities | | **(1,558)** | (1,071) |
| Deferred tax liabilities | | **(10,748)** | (10,425) |
| Other deferred liabilities | | **(334)** | (315) |
| Bank loans and other borrowings | | **(62,244)** | (69,331) |
| | | **(74,884)** | (81,142) |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **(22,681)** | (23,664) |
| Deposits from sale of properties | | **(18,854)** | (14,496) |
| Derivative financial liabilities | | **(612)** | (1,116) |
| Taxation payable | | **(1,242)** | (1,476) |
| Bank loans and other borrowings | | **(8,463)** | (8,653) |
| | | **(51,852)** | (49,405) |
| **Total liabilities** | | **(126,736)** | (130,547) |
| **NET ASSETS** | | **317,180** | 314,111 |
| **Capital and reserves** | | | |
| Share capital | | **29,441** | 29,376 |
| Reserves | | **278,287** | 276,119 |
| **Shareholders' equity** | | **307,728** | 305,495 |
| **Non-controlling interests** | | **9,452** | 8,616 |
| **TOTAL EQUITY** | | **317,180** | 314,111 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2014 except for the changes mentioned below.

The HKICPA has issued certain amendments to HKFRSs which are first effective for the current accounting period of the Group.

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

These amendments do not have a significant impact on the Group's results and financial position for the current or prior periods.

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

The financial information relating to the financial years ended 31 December 2015 and 2014 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property ("IP"), development property ("DP"), hotels, logistics and communications and media and entertainment ("CME"). No operating segments have been aggregated to form the reportable segments.

Investment property segment primarily includes property leasing operations. Currently, the Group's properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in Hong Kong and Mainland China.

Development property segment encompasses activities relating to the acquisition, development, design, construction, sale and marketing of the Group's trading properties primarily in Hong Kong and Mainland China.

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group operates 14 Marco Polo hotels in the Asia Pacific region, six of which owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited ("Modern Terminals"), Hong Kong Air Cargo Terminals Limited ("Hactl") and other public transport operations.

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited ("i-CABLE") and the telecommunication businesses operated by Wharf T&T Limited.

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and joint ventures of each segment. Inter-segment pricing is generally determined on an arm's length basis.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, certain financial investments, deferred tax assets and other derivative financial assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

## 2. SEGMENT INFORMATION
### a. Analysis of segment revenue and results

| For the year ended 31 December 2015 | Revenue HK$ Million | Operating profit HK$ Million | Investment properties fair value HK$ Million | Other net charge HK$ Million | Finance costs HK$ Million | Associates HK$ Million | Joint ventures HK$ Million | Profit before taxation HK$ Million |
|---|---|---|---|---|---|---|---|---|
| Investment property | **14,470** | **11,759** | **6,729** | **111** | **(1,255)** | **-** | **-** | **17,344** |
| Hong Kong | **12,165** | **10,516** | **5,761** | **-** | **(1,246)** | **-** | **-** | **15,031** |
| Mainland China | **2,305** | **1,243** | **968** | **111** | **(9)** | **-** | **-** | **2,313** |
| Development property | **18,018** | **2,241** | **-** | **(1,542)** | **(93)** | **890** | **201** | **1,697** |
| Hong Kong | **-** | **(25)** | **-** | **-** | **-** | **18** | **(57)** | **(64)** |
| Mainland China | **18,018** | **2,266** | **-** | **(1,542)** | **(93)** | **872** | **258** | **1,761** |
| Hotels | **1,549** | **278** | **-** | **-** | **(4)** | **-** | **-** | **274** |
| Logistics | **2,848** | **689** | **-** | **627** | **(194)** | **266** | **35** | **1,423** |
| Terminals | **2,739** | **676** | **-** | **668** | **(194)** | **188** | **35** | **1,373** |
| Others | **109** | **13** | **-** | **(41)** | **-** | **78** | **-** | **50** |
| CME | **3,501** | **112** | **-** | **2** | **(34)** | **-** | **-** | **80** |
| i-CABLE | **1,510** | **(246)** | **-** | **2** | **(3)** | **-** | **-** | **(247)** |
| Telecommunications | **1,991** | **362** | **-** | **-** | **(31)** | **-** | **-** | **331** |
| Others | **-** | **(4)** | **-** | **-** | **-** | **-** | **-** | **(4)** |
| Inter-segment revenue | **(298)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Segment total | **40,088** | **15,079** | **6,729** | **(802)** | **(1,580)** | **1,156** | **236** | **20,818** |
| Investment and others | **787** | **464** | **-** | **342** | **(299)** | **-** | **-** | **507** |
| Corporate expenses | **-** | **(690)** | **-** | **-** | **-** | **-** | **-** | **(690)** |
| Group total | **40,875** | **14,853** | **6,729** | **(460)** | **(1,879)** | **1,156** | **236** | **20,635** |
| For the year ended 31 December 2014 | | | | | | | | |
| Investment property | 13,397 | 10,896 | 28,293 | 69 | (1,303) | - | - | 37,955 |
| Hong Kong | 11,413 | 9,905 | 27,864 | 18 | (1,269) | - | - | 36,518 |
| Mainland China | 1,984 | 991 | 429 | 51 | (34) | - | - | 1,437 |
| Development property | 15,539 | 1,762 | - | (1,778) | (100) | 930 | (64) | 750 |
| Hong Kong | 113 | 93 | - | - | - | 9 | (23) | 79 |
| Mainland China | 15,426 | 1,669 | - | (1,778) | (100) | 921 | (41) | 671 |
| Hotels | 1,600 | 387 | - | - | (6) | - | - | 381 |
| Logistics | 3,319 | 1,051 | - | (61) | (246) | 332 | 53 | 1,129 |
| Terminals | 3,206 | 1,034 | - | (20) | (246) | 234 | 53 | 1,055 |
| Others | 113 | 17 | - | (41) | - | 98 | - | 74 |
| CME | 3,616 | 211 | - | 1 | (37) | - | - | 175 |
| i-CABLE | 1,666 | (140) | - | 1 | - | - | - | (139) |
| Telecommunications | 1,950 | 352 | - | - | (37) | - | - | 315 |
| Others | - | (1) | - | - | - | - | - | (1) |
| Inter-segment revenue | (370) | - | - | - | - | - | - | - |
| Segment total | 37,101 | 14,307 | 28,293 | (1,769) | (1,692) | 1,262 | (11) | 40,390 |
| Investment and others | 1,035 | 714 | - | 26 | (238) | - | - | 502 |
| Corporate expenses | - | (738) | - | - | - | - | - | (738) |
| Group total | 38,136 | 14,283 | 28,293 | (1,743) | (1,930) | 1,262 | (11) | 40,154 |

## 2. SEGMENT INFORMATION

### b. Analysis of inter-segment revenue

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Total Revenue HK$ Million** | **Inter-segment revenue HK$ Million** | **Group Revenue HK$ Million** | Total Revenue HK$ Million | Inter-segment revenue HK$ Million | Group Revenue HK$ Million |
| Investment property | **14,470** | **(148)** | **14,322** | 13,397 | (144) | 13,253 |
| Development property | **18,018** | **-** | **18,018** | 15,539 | - | 15,539 |
| Hotels | **1,549** | **-** | **1,549** | 1,600 | - | 1,600 |
| Logistics | **2,848** | **-** | **2,848** | 3,319 | - | 3,319 |
| CME | **3,501** | **(78)** | **3,423** | 3,616 | (94) | 3,522 |
| Investment and others | **787** | **(72)** | **715** | 1,035 | (132) | 903 |
| | **41,173** | **(298)** | **40,875** | 38,506 | (370) | 38,136 |

### c. Analysis of segment business assets

| | **2015 HK$ Million** | 2014 HK$ Million |
|---|---|---|
| Investment property | **311,641** | 303,498 |
| Hong Kong | **252,904** | 246,005 |
| Mainland China | **58,737** | 57,493 |
| Development property | **73,239** | 87,421 |
| Hong Kong | **5,685** | 4,703 |
| Mainland China | **67,554** | 82,718 |
| Hotels | **7,728** | 7,208 |
| Logistics | **18,244** | 20,197 |
| Terminals | **17,245** | 19,148 |
| Others | **999** | 1,049 |
| CME | **3,918** | 4,088 |
| i-CABLE | **1,189** | 1,284 |
| Telecommunications | **2,729** | 2,804 |
| Total segment business assets | **414,770** | 422,412 |
| Unallocated corporate assets | **29,146** | 22,246 |
| Total assets | **443,916** | 444,658 |

Unallocated corporate assets mainly comprise certain financial investments, deferred tax assets, bank deposits and cash and other derivative financial assets.

Segment assets held through associates and joint ventures included in above are:

| | **2015 HK$ Million** | 2014 HK$ Million |
|---|---|---|
| Development property | **29,332** | 36,187 |
| Logistics | **6,065** | 5,292 |
| Group total | **35,397** | 41,479 |

## 2. SEGMENT INFORMATION

### d. Other segment information

| | **Capital expenditure** | | **Increase in interests in associates and joint ventures** | | **Depreciation and amortisation** | |
|---|---|---|---|---|---|---|
| | **2015 HK$ Million** | 2014 HK$ Million | **2015 HK$ Million** | 2014 HK$ Million | **2015 HK$ Million** | 2014 HK$ Million |
| Investment property | **5,355** | 13,316 | **-** | - | **118** | 98 |
| Hong Kong | **1,218** | 6,757 | **-** | - | **32** | 23 |
| Mainland China | **4,137** | 6,559 | **-** | - | **86** | 75 |
| Development property | **-** | - | **3,487** | 4,644 | **-** | - |
| Hong Kong | **-** | - | **155** | 201 | **-** | - |
| Mainland China | **-** | - | **3,332** | 4,443 | **-** | - |
| Hotels | **372** | 759 | **-** | - | **208** | 204 |
| Logistics | **294** | 403 | **8** | 2 | **457** | 469 |
| Terminals | **294** | 402 | **8** | 2 | **454** | 466 |
| Others | **-** | 1 | **-** | - | **3** | 3 |
| CME | **538** | 504 | **-** | - | **765** | 751 |
| i-CABLE | **207** | 188 | **-** | - | **351** | 348 |
| Telecommunications | **331** | 316 | **-** | - | **414** | 403 |
| Group total | **6,559** | 14,982 | **3,495** | 4,646 | **1,548** | 1,522 |

In addition, the CME segment incurred HK$116 million (2014: HK$152 million) for its programming library. The Group had no significant non-cash expenses other than (i) a non-recurrent accounting loss of HK$1,620 million arising from the deemed disposal of the Group's entire 24.3% equity interest in Greentown China Holdings Limited ("Greentown"), (ii) in 2014, the provision for diminution in value of HK$1,812 million made for development properties undertaken by the Group's subsidiaries in the Mainland China and (iii) depreciation and amortisation.

## 2. SEGMENT INFORMATION

### e. Geographical information

| | Revenue | | Operating Profit | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$ Million** | HK$ Million | **HK$ Million** | HK$ Million |
| Hong Kong | **19,152** | 19,126 | **11,409** | 11,549 |
| Mainland China | **21,685** | 18,977 | **3,406** | 2,701 |
| Singapore | **38** | 33 | **38** | 33 |
| Group total | **40,875** | 38,136 | **14,853** | 14,283 |

| | Specified non-current assets | | Total business assets | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$ Million** | HK$ Million | **HK$ Million** | HK$ Million |
| Hong Kong | **271,671** | 264,523 | **275,016** | 267,328 |
| Mainland China | **101,340** | 106,443 | **139,754** | 155,084 |
| Group total | **373,011** | 370,966 | **414,770** | 422,412 |

Specified non-current assets excludes deferred tax assets, certain available-for-sale investments, derivative financial assets and certain non-current assets.

The geographical location of revenue and operating profit is analysed based on the location at which services are provided and in the case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

## 3. OPERATING PROFIT

**Operating profit is arrived at:**

| | 2015 HK$ Million | 2014 HK$ Million |
|---|---|---|
| **After charging/(crediting):** | | |
| Depreciation and amortisation on | | |
| - assets held for use under operating leases | **162** | 169 |
| - property, plant and equipment | **1,190** | 1,158 |
| - leasehold land | **69** | 74 |
| - programming library | **127** | 121 |
| Total depreciation and amortisation | **1,548** | 1,522 |
| Impairment of trade receivables | **10** | 18 |
| Impairment of property, plant and equipment | **45** | - |
| Staff costs (Note a) | **3,632** | 3,740 |
| Auditors' remuneration | | |
| - audit services | **23** | 23 |
| - other services | **2** | 2 |
| Cost of trading properties for recognised sales | **15,000** | 13,291 |
| Rental charges under operating leases in respect of telecommunications equipment and services | **74** | 63 |
| Gross rental revenue from investment properties (Note b) | **(14,470)** | (13,397) |
| Direct operating expenses of investment properties | **2,584** | 2,402 |
| Rental income under operating leases in respect of owned plant and equipment | **(16)** | (9) |
| Interest income (Note c) | **(363)** | (633) |
| Dividend income from investments | **(174)** | (152) |
| Loss on disposal of property, plant and equipment | **2** | 4 |

Notes:

**a.** Staff costs include contributions to defined contribution pension schemes of HK$287 million (2014: HK$271 million), which included MPF schemes after a forfeiture of HK$3 million (2014: HK$2 million) and equity-settled share-based payment expenses of HK$40 million (2014: HK$84 million).

**b.** Rental income includes contingent rentals of HK$1,476 million (2014: HK$2,036 million).

**c.** Interest income of HK$363 million (2014: HK$602 million) was in respect of financial assets, mainly comprising bank deposits, that are stated at amortised cost.

## 4. OTHER NET CHARGE

Other net charge for the year which amounted to HK$460 million (2014: HK$1,743 million) mainly comprises:

**a.** A non-recurrent accounting loss of HK$1,620 million which arose from the deemed disposal of the Group's entire 24.3% equity interest in Greentown upon reclassification of such interest as an available-for-sale investment at the prevailing market value when the Group ceased to have significant influence over Greentown in June 2015.

The Greentown equity interest was acquired by the Group in June 2012 at cost of HK$2,729 million, with an accounting gain representing negative goodwill of HK$2,233 million when the equity interest was equity-accounted for as an associate.

**b.** A gain of HK$908 million arose from Modern Terminals' disposal of 50% of its equity interest in its Taicang container port businesses.

**c.** Net foreign exchange gains of HK$111 million (2014: HK$123 million) which included a fair value gain on forward foreign exchange contracts of HK$24 million (2014: loss of HK$29 million).

**d.** Net profit on disposal of available-for-sale investments of HK$187 million (2014: HK$Nil) which included a revaluation surplus of HK$524 million transferred from the investments revaluation reserves of the Group.

**e.** Included in the net charge for 2014 was a provision of HK$1,812 million made in respect of certain development projects in the Mainland China undertaken by the Group's subsidiaries.

## 5. FINANCE COSTS

| | **2015<br>HK$ Million** | 2014<br>HK$ Million |
|---|---|---|
| Interest charged on: | | |
| Bank loans and overdrafts | **1,018** | 1,091 |
| Other borrowings | **938** | 1,196 |
| Total interest charge | **1,956** | 2,287 |
| Other finance costs | **195** | 317 |
| Less: Amount capitalised | **(678)** | (904) |
| | **1,473** | 1,700 |
| Fair value loss: | | |
| Cross currency interest rate swaps | **379** | 97 |
| Interest rate swaps | **27** | 133 |
| | **406** | 230 |
| Total | **1,879** | 1,930 |

## 6. INCOME TAX

Taxation charged to the consolidated income statement includes:

| | **2015 HK$ Million** | 2014 HK$ Million |
|---|---|---|
| **Current income tax** | | |
| Hong Kong | | |
| - provision for the year | **1,592** | 1,540 |
| - overprovision in respect of prior years | **(21)** | (56) |
| Outside Hong Kong | | |
| - provision for the year | **1,073** | 860 |
| - (Over)/under-provision in respect of prior years | **(5)** | 9 |
| | **2,639** | 2,353 |
| **Land appreciation tax ("LAT")** (Note c) | **411** | 515 |
| **Deferred tax** | | |
| Change in fair value of investment properties | **488** | 543 |
| Origination and reversal of temporary differences | **304** | 375 |
| Benefit of previously unrecognised tax losses now recognised | **(13)** | (56) |
| | **779** | 862 |
| Total | **3,829** | 3,730 |

**a.** The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2014: 16.5%).

**b.** Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2014: 25%) and China withholding tax at a rate of up to 10%.

**c.** Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditure.

**d.** Tax attributable to associates and joint ventures for the year ended 31 December 2015 of HK$1,082 million (2014: HK$1,389 million) is included in the share of results of associates and joint ventures.

## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$16,024 million (2014: HK$35,930 million) and the weighted average of 3,031 million ordinary shares in issue during the year (2014: 3,030 million ordinary shares).

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

| | **2015 HK$ per share** | **2015 HK$ Million** | 2014 HK$ per share | 2014 HK$ Million |
|---|---|---|---|---|
| First interim dividend declared and paid | **0.55** | **1,667** | 0.55 | 1,667 |
| Second interim dividend declared after the end of the reporting period | **1.35** | **4,092** | 1.26 | 3,819 |
| | **1.90** | **5,759** | 1.81 | 5,486 |

**a.** The second interim dividend based on 3,031 million issued ordinary shares (2014: 3,031 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**b.** The second interim dividend of HK$3,819 million for 2014 was approved and paid in 2015.

## 9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2015 as follows:

| | **2015 HK$ Million** | 2014 HK$ Million |
|---|---|---|
| Trade receivables | | |
| 0 – 30 days | **625** | 749 |
| 31 – 60 days | **167** | 165 |
| 61 – 90 days | **74** | 74 |
| Over 90 days | **105** | 79 |
| | **971** | 1,067 |
| Other receivables and prepayments | **3,003** | 2,784 |
| | **3,974** | 3,851 |

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables are expected to be recoverable within one year.

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2015 as follows:

| | **2015**<br>**HK$ Million** | 2014<br>HK$ Million |
|---|---|---|
| Trade payables | | |
| 0 - 30 days | **390** | 396 |
| 31 - 60 days | **258** | 235 |
| 61 - 90 days | **32** | 48 |
| Over 90 days | **128** | 123 |
| | **808** | 802 |
| Rental and customer deposits | **3,982** | 3,552 |
| Construction costs payable | **7,980** | 9,599 |
| Amount due to associates | **3,083** | 2,798 |
| Amount due to joint ventures | **2,524** | 2,045 |
| Other payables | **4,304** | 4,868 |
| | **22,681** | 23,664 |

## 11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2015 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

## CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2015, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the "First Deviation") providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, it is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with half of them being Independent Non-executive Directors ("INEDs"). As regards the Second Deviation, the Company Secretary of the Company had formerly directly reported to the Deputy Chairman of the Company, which was considered appropriate and reasonable given the size of the Group. Following the change of Chairman of the Company with effect from 15 May 2015, the Company Secretary commenced reporting to the Chairman of the Company directly and the Company is in full compliance of Code Provision F.1.3.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial period under review.

## BOOK CLOSURE

To ascertain Shareholders' entitlement to the abovementioned second interim dividend, the Register of Members will be closed from Wednesday, 6 April 2016 to Thursday, 7 April 2016, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the second interm dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 5 April 2016.

To ascertain Shareholders' rights to attend and to vote at the forthcoming Annual General Meeting to be held on Wednesday, 11 May 2016, the Register of Members will be closed from Tuesday, 10 May 2016 to Wednesday, 11 May 2016, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 9 May 2016.

By Order of the Board
**Kevin C. Y. Hui**
*Company Secretary*

Hong Kong, 9 March 2016

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. K. P. Chan, together with six INEDs, namely, Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen, Mr. David M. Turnbull and Professor E. K. Yeoh.*