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## CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1113)

### THE CHAIRMAN'S STATEMENT FOR 2015

#### HIGHLIGHTS

	2015 <sup>Note 1</sup>	2014	Change
	HK\$ Million	HK\$ Million	
Revenue <sup>Note 2</sup>	<b>58,793</b>	32,227	+82%
Profit before investment property revaluation	<b>15,568</b>	12,051	+29%
Investment property revaluation (net of tax)	<b>1,545</b>	5,017	-69%
Profit attributable to shareholders	<b>17,113</b>	17,068	-
Earnings per share	<b>HK\$4.43</b>	HK\$4.42	-
Final dividend per share	<b>HK\$1.05</b>	N/A	N/A
Full year dividend per share	<b>HK\$1.40</b>	N/A	N/A

*Note 1: Results for 2015 cover (i) the results of the property businesses of the Cheung Kong Group\* for the full year and (ii) the results of the property businesses of the Hutchison Group\*\* after the Property Businesses Combination\*\*\* for the period from 3 June 2015 to 31 December 2015 (212 days).*

*Note 2: Revenue includes the Group's revenue of HK\$57,280 million and the Group's share of revenue of joint ventures of HK\$1,513 million.*

#### PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31 December 2015 amounted to HK\$17,113 million. Earnings per share were HK\$4.43.

#### DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.05 per share in respect of 2015 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 19 May 2016. This together with the interim dividend of HK\$0.35 per share paid on 6 October 2015 gives a total of HK\$1.40 per share for the year. The proposed final dividend will be paid on Wednesday, 1 June 2016 following approval at the 2016 Annual General Meeting.

\* "Cheung Kong Group" refers to CK Hutchison Holdings Limited and its subsidiaries before 3 June 2015.

\*\* "Hutchison Group" refers to Hutchison Whampoa Limited and its subsidiaries before 3 June 2015.

\*\*\* "Property Businesses Combination" refers to the combination and transfer to the Group of all the property businesses of the Cheung Kong Group and of the Hutchison Group pursuant to the reorganisation and spin-off plan completed on 3 June 2015.

# PROSPECTS

## Growing on a Stronger Asset Portfolio

Cheung Kong Property Holdings Limited (the “Group”) was listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2015 by way of introduction. The listing marked a new phase of growth for the Group under its reorganised business structure.

The Group’s principal activities now encompass property development and investment, hotel and serviced suite operation and property and project management, and it has interests in three listed real estate investment trusts. It has a portfolio of diversified properties, which includes properties located in Hong Kong, the Mainland, Singapore and the United Kingdom. With the inclusion of a large number of high-quality properties from the Cheung Kong Group\* and the Hutchison Group\*\*, the Group’s quality property portfolio has expanded significantly and become more diversified both in terms of asset type and geographical locations. Our fundamentals and competitiveness have been strengthened in terms of our business scale, operating base, and overall capabilities to sustain growth.

### Business Review

This is the first annual report of the Group since its incorporation and listing, which covers (i) the results of the property businesses of the Cheung Kong Group for the full year and (ii) the results of the property businesses of the Hutchison Group after the Property Businesses Combination\*\*\* for the period from 3 June 2015 to 31 December 2015. During the reporting period, all the principal businesses of the Group continued to perform solidly, and an increase in the fair value of investment properties was recorded reflecting the Group’s long held policy of conservative property valuation. For the year ended 31 December 2015, the Group’s audited profit attributable to shareholders was HK\$17,113 million, comparable to the profit of the property businesses reported by the Cheung Kong Group for the previous year, while profit before investment property revaluation was HK\$15,568 million, 29% higher than that reported last year, and investment property revaluation increment was lower than last year.

\* “Cheung Kong Group” refers to CK Hutchison Holdings Limited and its subsidiaries before 3 June 2015.

\*\* “Hutchison Group” refers to Hutchison Whampoa Limited and its subsidiaries before 3 June 2015.

\*\*\* “Property Businesses Combination” refers to the combination and transfer to the Group of all the property businesses of the Cheung Kong Group and of the Hutchison Group pursuant to the reorganisation and spin-off plan completed on 3 June 2015.

### ***Property Development***

The Group's high quality property development portfolio has expanded in terms of scale and market coverage as the properties developed by each of the Cheung Kong Group and the Hutchison Group have been transferred to the Group, and the joint ventures between the two groups have become its subsidiaries. The property market conditions remained challenging in Hong Kong and on the Mainland during last year. All development and marketing plans have proceeded cautiously according to their scheduled timetables. Revenue and contribution from property sales were in line with expectations.

### ***Property Investment***

The Group's investment property portfolio has extended notably due to the addition of various commercial properties of the Hutchison Group such as Cheung Kong Center, Hutchison House, and China Building which have been sources of quality rental income. With an aggregate gross floor area of approximately 1.5 million sq.m., the portfolio provides the Group with steady cash flow and stable recurring income to complement the cyclical revenue streams from the development and sales of properties. Retail sales in Hong Kong have weakened, exerting increased downward pressure on retail rents as a whole. The Group's property investment operation remained resilient amid a more difficult environment as compared to the past few years. A solid increase in contribution was recorded in 2015, partly attributed to the increase of investment properties which generated new streams of rental contribution to the Group, and the benefits of a loyal, quality tenant base and well-balanced tenant mix which helped stabilise rental income.

### ***Hotel and Serviced Suite Operation***

With the inclusion of a number of large-scale, premium hotels and serviced suites of the Hutchison Group, the Group's hotel and serviced suite portfolio has visibly enlarged to cover over 16,000 rooms in aggregate and has brought with it stronger synergies. The hotel industry environment is increasingly challenging as tourist demand declines in the light of uncertain global economic prospects. Against this backdrop, the Group's hotel and serviced suite operation was inevitably affected.

### ***Property and Project Management***

The Group continues to strengthen its property and project management business to support its development and investment properties. The inclusion of those projects managed by the Hutchison Group has increased the total floor area of properties under the Group's property management.

## **Business Strategies**

As stated in our interim report, the Group is steadfast in its aim to maximise shareholders' value through the long-term sustainable growth of its business. With the property business as its core operations, the Group will implement the following business strategies to exploit its potential and create new growth:

- ***Focus on the core markets:*** The Group will continue to focus on its core markets and seek to further solidify its market positions in Hong Kong, the Mainland and overseas markets, taking into account the operating conditions and tailoring the schedules of business development accordingly.
- ***Enhance recurring income from investment properties:*** The Group will evaluate and strategically adjust its mix of properties for sale and investment from time to time. It will continue to expand and enhance its existing investment property portfolio to complement the cash flow from sales of properties, while optimising its tenant base to improve recurring income and capture the long-term capital appreciation potential of its properties.
- ***Enrich the scale and brand positioning of the hotel and serviced suite portfolio:*** The Group will selectively expand its hotel and serviced suite portfolio, and actively manage its existing portfolio and enrich its existing hotel brand positioning. The Group will seek to improve operational efficiency to enhance the value of its hotels and serviced suites.
- ***Optimise land bank to balance stability and growth:*** The Group will focus on acquiring land at opportunistic times and reasonable prices by following a disciplined approach to land acquisition. The Group will manage and optimise its land bank actively in step with market conditions and in tune with its needs for medium- and long-term development.
- ***Maintain a disciplined financial policy:*** The Group will seek to maintain strong liquidity to capitalise on acquisition and investment opportunities as they arise through adhering to a disciplined financial management policy of maintaining a healthy debt ratio. The Group will exercise financial prudence in its capital commitments and deploy its capital resources efficiently to position itself for future growth.
- ***Explore other sources of revenue:*** the Group is open to considering various opportunities to generate revenue from other different sources, with a view to maintaining momentum for long-term sustainable development and growth, and balancing the cyclical impact on cash flow associated with the development of properties.

## **Outlook**

The uncertainties facing the global economy and financial markets are expected to continue. The impact of the monetary policy normalisation in the U.S. is unclear. Economic growth in the Eurozone area, Japan and other nations is slow, while oil and commodity prices remain low. These uncertainties coupled with political issues in certain countries have weighed on the pace of the global economic recovery. The operating environment for businesses of different sectors will continue to be challenging and difficult to varying degrees.

With proactive government measures to stabilise economic growth and to improve and adjust its macroeconomic policies, the long-term economic outlook of the Mainland is expected to remain stable and positive, albeit with some fluctuations expected in the process. As stated in our interim report, the “One Belt, One Road” initiative, which is a long-term development strategy of the Mainland, will present tremendous opportunities to various business sectors and Hong Kong as a whole, thereby facilitating its economic development in the longer term.

The Hong Kong residential property market continued to consolidate during the period as a result of property-related policies. On the Mainland, buyer’s sentiment and property activities are expected to improve following the Central Government’s measures to de-stock housing inventory. Going forward, the level of property prices in Hong Kong and the Mainland will continue to be affected by the increases in construction costs as well as development and marketing expenses. Government housing policies will continue to be a major factor in determining the long-term direction of market development.

During the period, the Group has successfully bid for the site for phase eight of the LOHAS Park development in Tseung Kwan O at a reasonable price, with a total investment of approximately HK\$10 billion. Following increased globalisation and worldwide integration, competition from new market entrants is visible in Hong Kong and other overseas property markets such as Singapore and the United Kingdom in recent years. Such new players tend to compete with highly aggressive pricing strategies in land auctions. It is therefore not an easy task to acquire land at reasonable costs. The property business in Hong Kong and the Mainland are our core operations. The Group will adhere to stringent criteria based on development potential and acquisition costs in pursuing suitable opportunities for land acquisition in both markets in order to generate reasonable returns for shareholders. Our current land banks in Hong Kong, the Mainland and overseas markets will support our development over the next few years.

The Group has ample financial resources with a single-digit low gearing ratio. To optimise capital utilisation and maximise returns for shareholders, we will actively pursue quality investments in different business areas. Serious consideration will be given to opportunities that meet the investment criteria to: (1) generate stable income and provide a steady stream of liquidity in the long term; (2) provide income in the short to medium term and enhance overall profitability; and (3) strengthen further the Group's dividend distribution capability. The Group is well placed for growth, leveraging on its well-established foundations and strong liquidity profile.

We place a major focus on the property business which accounts for a large proportion of our operations, and consider Hong Kong and the Mainland as our key markets, while establishing a global presence with worldwide businesses in our strategic positioning. The Group strives to expand globally by seizing suitable business opportunities around the world with good potential, capitalising on a pool of professional talents specialised in different business areas including investment, operation, finance and risk management. Investments are guided by our principle of "advancing with stability", and are made in the interests of our shareholders as a whole who will ultimately benefit from the profit gained from our overseas investments by way of dividend distribution. Given the rapidly changing political and economic landscape, which is filled with uncertainties, we will be mindful of evolving trends in global economic developments and will continue to manage our businesses with prudence. While we will equip ourselves to face the challenges in 2016, we are still cautiously optimistic.

Intelligent, creative, dedicated, experienced and loyal employees are the Group's most valuable asset in this extremely competitive and challenging global environment. We take this opportunity to thank our colleagues on the Board and our diligent employees for their hard work, loyal service and contributions during the year.

**Li Ka-shing**  
Chairman

Hong Kong, 17 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Major Business Activities

#### 1. Developments Completed during 2015:

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
Stars by the Harbour	Kowloon Inland Lot No. 11120	33,979	100%
Mont Vert Phase II	The Remaining Portion of Tai Po Town Lot No. 183	16,892	100%
DIVA	The Remaining Portion of Inland Lot No. 3319	6,606	100%
La Mansion	Lot No. 2129 in D.D. 121 Yuen Long	6,076	100%
Heung Yip Road Project	Section A and The Remaining Portion of Aberdeen Inland Lot No. 354	30,099	100%
Thomson Grand	Upper Thomson Road, Singapore	43,781	100%
La Grande Ville Phase 3	Shun Yi District, Beijing	102,088	100%
Upper West Shanghai Phase 1B	Putuo District, Shanghai	136,476	60%
Hupan Mingdi Land No. 911 North	Jiading District, Shanghai	180,480	100%
Kerry Everbright City Phase III	Zhabei District, Shanghai	104,253	24.75%
Regency Cove Phases 1A and 1B	Changchun National Hi-Tech Industrial Development Zone, Changchun	235,485	100%
Regency Park Phases 4A and 4B	Jingyue Economic Development Zone, Changchun	45,378	100%

<b>Name</b>	<b>Location</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Group's Interest</b>
Le Parc Phase 5B	Chengdu High-Tech Zone, Chengdu	148,035	100%
Regency Hills Lands No. 1 and 8A	Yangjiashan, Chongqing	198,326	95%
Regency Lakeview Land No. G19	Liangjiang New Area, Chongqing	73,175	100%
Laguna Verona Phase D2b	Hwang Gang Lake, Dongguan	73,870	99.82%
Emerald Cove Phase 1A	Chancheng District, Foshan	21,839	100%
Cape Coral Phase 4A	Panyu District, Guangzhou	76,963	100%
Noble Hills Phase 1A	Zengcheng, Guangzhou	1,500	100%
Emerald City Phases 1B, 1C, 2A and 2B	Jianye District, Nanjing	212,139	100%
The Harbourfront Land No. 6	Shibei District, Qingdao	226,478	90%
Royal Waterfront Phase 1	Qing Pu District, Shanghai	31,415	100%
Riviera Palace Phase 1	Qing Pu District, Shanghai	75,211	100%
Century Link Office Tower 1	Pudong New District, Shanghai	64,882	50%
Regency Garden Phase 5A	Pudong New District, Shanghai	37,730	85%
Land Lots G/M and H Project	Futian District, Shenzhen	45,000	50%
Millennium Waterfront Phase 1B	Jiangnan District, Wuhan	258,828	100%
The Greenwich Phase 4A	Xian Hi-Tech Industries Development Zone, Xian	134,899	100%

## 2. Developments in Progress and Scheduled for Completion in 2016:

Name	Location	Gross Floor Area (sq.m.)	Group's Interest
The Beaumont II	Tseung Kwan O Town Lot No. 111	51,000	100%
Repulse Bay Road Project	Rural Building Lot No. 177	6,613	100%
Ngau Tam Mei Project	Lot No. 2086 in D.D. 105 Yuen Long	9,392	100%
La Lumière	Hung Hom Inland Lot No. 556	9,740	100%
Yuccie Square	Yuen Long Town Lot No. 518	61,700	100%
VIVA	The Remaining Portions of Subsections 6, 7, 8, 9 and 10 of Section A of Kowloon Marine Lot No. 53 and The Remaining Portion of Section A of Subsection 8 of Section A of Kowloon Marine Lot No. 53	3,575	100%
The Zumurud	Kowloon Inland Lot No. 11125	36,630	80%
La Grande Ville Phase 4	Shun Yi District, Beijing	250,335	100%
Guangzhou Guoji Wanjucheng Phases 2B and 2C1	Huangpu District, Guangzhou	101,562	60%
Yuhu Mingdi Phases 2(1) and 3	Huangpu District, Guangzhou	135,280	80%
Upper West Shanghai Phase 2 Tender 1	Putuo District, Shanghai	62,033	60%
Hupan Mingdi Land No. 911 South	Jiading District, Shanghai	24,312	100%
Regency Park Phases 4A and 4B	Jingyue Economic Development Zone, Changchun	160,332	100%
Regency Hills Land No. 8B	Yangjiashan, Chongqing	11,286	95%

<b>Name</b>	<b>Location</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Group's Interest</b>
Regency Lakeview Lands No. G18-A and G18-B	Liangjiang New Area, Chongqing	201,427	100%
Laguna Verona Phases D2a and H	Hwang Gang Lake, Dongguan	87,548	99.82%
Xiao Yao Bay Phase 5B	Jinzhou New Area, Dalian	57,445	100%
Emerald Cove Phases 1B, 2A and 2B	Chancheng District, Foshan	163,553	100%
Emerald City Phases 1A, 1B, 1C and 2C	Jianye District, Nanjing	146,305	100%
The Harbourfront Land No. 5	Shibei District, Qingdao	253,612	90%
Royal Waterfront Phase 2	Qing Pu District, Shanghai	47,510	100%
Riviera Palace Phase 2A	Qing Pu District, Shanghai	76,000	100%
Century Link Retail and Office Tower 2	Pudong New District, Shanghai	153,575	50%
Millennium Waterfront Phases 2A and 2B	Jiangnan District, Wuhan	302,056	100%
The Metropolitan Phase 1	Jiangnan District, Wuhan	205,354	100%
The Greenwich Phase 4B	Xian Hi-Tech Industries Development Zone, Xian	184,774	100%
Chelsea Waterfront Blocks HF4 and HF5	Chelsea/Fulham, London	4,741	95%

### 3. New Acquisitions and Joint Developments and Other Major Events:

#### Hong Kong

- (1) October 2015: A wholly owned subsidiary of the Group successfully won in a public tender exercise for the joint development with MTR Corporation Limited in respect of the development at Site H of the Remaining Portion of Tseung Kwan O Town Lot No. 70. With an area of approximately 16,638 sq.m., the site is earmarked for a residential development estimated to have a developable gross floor area of approximately 97,000 sq.m.
- (2) During the year under review, the Group continued to pursue opportunities for acquisition of properties and agricultural land with potential for development. Some of the properties and agricultural land are under varying stages of design and planning applications.

#### The Mainland and Overseas

- (3) During the year under review, the Group continued to focus on project development and the marketing of properties on the Mainland and overseas in a timely manner.

### Property Sales

Revenue of property sales (including share of joint ventures) recognised for the year was HK\$49,059 million (2014 – HK\$26,348 million) comprising mainly sale of residential units of (i) property projects in Hong Kong – City Point, Hemera, Mont Vert Phases I & II, DIVA and Stars by the Harbour; (ii) property projects on the Mainland – Upper West Shanghai Phase 1B and Hupan Mingdi Land No. 911 North in Shanghai, La Grande Ville Phase 3 in Beijing, Emerald City Phases 1B and 1C in Nanjing, Millennium Waterfront Phase 1B in Wuhan, Regency Hills Land No. 1 in Chongqing, Le Parc Phases 3, 4, 5A and 5B in Chengdu, The Harbourfront Land Nos. 2, 3, 4 and 6 in Qingdao; and (iii) Thomson Grand in Singapore, and is summarised by location as follows:

Location	2015	2014
	HK\$ Million	HK\$ Million
Hong Kong	15,924	19,407
Mainland	29,405	5,731
Singapore	3,724	1,210
Others	6	-
	<b>49,059</b>	26,348

Contribution from property sales (including share of joint ventures) for the year was HK\$15,522 million (2014 – HK\$8,501 million) and was derived from the following locations:

Location	2015	2014
	HK\$ Million	HK\$ Million
Hong Kong	4,769	6,709
Mainland	10,093	1,401
Singapore	688	379
Others	(28)	12
	<b>15,522</b>	<b>8,501</b>

Besides, the Group's interest in a joint venture which held Metropolitan Plaza in Chongqing for rental income was disposed of to Hui Xian Real Estate Investment Trust at a profit of HK\$1,366 million during the year.

Property sales contribution for 2016 will mainly be derived from the sale of residential units of Stars by the Harbour, The Beaumont II, Yuccie Square and The Zumurud in Hong Kong, La Grande Ville Phase 4 in Beijing, Emerald City Phases 1 and 2 in Nanjing, Millennium Waterfront Phases 1 and 2 and The Metropolitan Phase 1 in Wuhan, and a few others scheduled for completion. In addition, the sale and purchase of a commercial property developed by the Group at Heung Yip Road in Hong Kong will be completed in 2016 and make a contribution to group profit.

In Hong Kong, the presale of all the residential units of The Beaumont II was accomplished during the year, approximately 70% of the residential units of Yuccie Square have been presold since the project was launched in November 2015 and the presale of residential units of The Zumurud will soon be launched. On the Mainland, the sales/presales of various residential projects are progressing well in the major cities and are sluggish in the smaller cities.

At the year end date, the Group had contracted property sales attributable to the Group but not yet recognised as follows:

Location	Sales Amount
	HK\$ Million
Hong Kong	15,768
Mainland	6,866
United Kingdom	839
	<b>23,473</b>

and had a development land bank of approximately 13.6 million sq.m. (excluding agricultural land and properties completed but including developers' interests in joint development projects), of which approximately 0.7 million sq.m., 12.5 million sq.m. and 0.4 million sq.m. were in Hong Kong, the Mainland and overseas respectively.

## Property Rental

Revenue of property rental (including share of joint ventures) for the year was HK\$5,138 million (2014 – HK\$2,331 million) and included rental income derived on (i) the property portfolio previously held by CK Hutchison Holdings Limited and its subsidiaries (“Cheung Kong Group”) for the full year and (ii) the property portfolio previously held by Hutchison Whampoa Limited and its subsidiaries (“Hutchison Group”) for the period from 3 June 2015 (the completion date of the property businesses combination concerning the Cheung Kong Property Group and the Hutchison Property Group as described in note 1 to the consolidated financial statements (“Completion Date”)) to the year end date as follows:

Property portfolio previously held by	2015	2014
	HK\$ Million	HK\$ Million
Cheung Kong Group	2,339	2,331
Hutchison Group	2,799	-
	<b>5,138</b>	2,331

The Group’s investment properties are mostly located in Hong Kong and comprise mainly office, retail and industrial properties, which accounted for 41%, 41% and 8% respectively of the revenue of property rental for the year.

Contribution from property rental (including share of joint ventures) for the year was HK\$4,513 million (2014 – HK\$2,069 million) and was derived from the following locations:

Location	2015	2014
	HK\$ Million	HK\$ Million
Hong Kong	4,195	1,835
Mainland	272	225
Overseas	46	9
	<b>4,513</b>	2,069

At the year end date, the Group had an investment property portfolio of approximately 1.5 million sq.m. as follows:

Location	Office	Retail	Industrial	Total
	Million sq.m.	Million sq.m.	Million sq.m.	Million sq.m.
Hong Kong	0.4	0.3	0.6	1.3
Mainland	0.1	0.1	-	0.2
	0.5	0.4	0.6	1.5

and recorded an increase in fair value of HK\$1,408 million (2014 – HK\$4,542 million) of investment properties based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%. The Group also shared an increase in fair value of HK\$16 million (2014 – HK\$510 million) of investment properties held by joint ventures.

## Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the year was HK\$4,005 million (2014 – HK\$2,895 million) and included revenue generated on (i) the hotels and serviced suites previously owned by Cheung Kong Group for the full year and (ii) the hotels and serviced suites previously owned by Hutchison Group for the period from the Completion Date to the year end date as follows:

Hotels and serviced suites previously owned by	2015	2014
	HK\$ Million	HK\$ Million
Cheung Kong Group	2,589	2,895
Hutchison Group	1,416	-
	<b>4,005</b>	2,895

The Group's hotel and serviced suite portfolio comprises 15 hotels and serviced suites in Hong Kong, 4 hotels on the Mainland, 1 hotel in The Bahamas and a total of over 16,000 rooms. During the year, the average room rates achieved by the Group's hotel and serviced suite operation in Hong Kong, on the Mainland and in The Bahamas were HK\$831, HK\$650 and HK\$769 respectively and the average occupancy rates were 88.2%, 61.2% and 56.5% respectively.

Contribution from hotel and serviced suite operation (including share of joint ventures) for the year after depreciation charge on land and buildings was HK\$1,279 million (2014 – HK\$1,227 million) and was derived from the following locations:

Location	2015	2014
	HK\$ Million	HK\$ Million
Hong Kong	1,387	1,240
Mainland	(27)	(13)
Overseas	(81)	-
	<b>1,279</b>	1,227

Contribution margin of the Group's hotel and serviced suite operation for the year decreased when compared with last year as the combined hotel and serviced suite portfolio after the Completion Date had a lower operating profit margin. Nevertheless, an average hotel operating profit of HK\$191 per square metre per month was reported, representing an annualised yield of 16.2% on the total carrying amount of the Group's hotel and serviced suite properties at the year end date.

## Property and Project Management

Revenue of property and project management (including share of joint ventures) for the year was HK\$591 million (2014 – HK\$653 million) and included management fee income earned on (i) properties and projects previously managed by Cheung Kong Group for the full year and (ii) properties and projects previously managed by Hutchison Group for the period from the Completion Date to the year end date as follows:

Properties and projects previously managed by	2015	2014
	HK\$ Million	HK\$ Million
Cheung Kong Group	468	653
Hutchison Group	123	-
	<b>591</b>	653

Contribution from property and project management (including share of joint ventures) for the year was HK\$257 million (2014 – HK\$215 million) and was derived from the following locations:

Location	2015	2014
	HK\$ Million	HK\$ Million
Hong Kong	185	165
Mainland	30	14
Overseas	42	36
	<b>257</b>	215

Certain joint ventures between Cheung Kong Group and Hutchison Group which were previously managed by Cheung Kong Group on a cost basis have become subsidiaries since the Completion Date. Consequently, management fee received from these subsidiaries would not be recognised as revenue and management costs would be accounted for as project costs, hence resulting in a decrease in revenue and an improved contribution margin for property and project management.

At the year end date, the total floor area of properties managed by the Group was approximately 22 million sq.m. and this is expected to grow steadily following the gradual completion of the Group's property development projects in the years ahead. The Group is committed to providing high quality services to the properties under its management.

## Interests in Real Estate Investment Trusts

At the year end date, the Group's interests in listed real estate investment trusts ("REITs") were as follows:

	Principal Activities	Effective Interest
Hui Xian REIT	Investment in office, retail properties, hotels and serviced suites on the Mainland	32.4%
Fortune REIT	Investment in retail properties in Hong Kong	27.9%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	19.2%

Profit contribution for the year by the Group's interests in REITs amounted to HK\$500 million and was made up of (i) cash distribution of HK\$287 million received by Cheung Kong Group before the Completion Date; (ii) cash distribution of HK\$146 million received by the Group from Fortune REIT and Prosperity REIT after the Completion Date; and (iii) share of profit of HK\$67 million of Hui Xian REIT which has been accounted for as an associate since the Completion Date.

## FINANCIAL REVIEW

### Liquidity and Financing

The Group monitors its liquidity requirements on a short to medium term basis and arranges bank and other borrowings accordingly.

At the year end date, the Group had bank borrowings amounted to HK\$61.0 billion and the maturity profile was spread over a period of ten years, with HK\$5.8 billion repayable within one year, HK\$51.7 billion within two to five years and HK\$3.5 billion beyond five years.

The Group's net debt to net total capital ratio at the year end date was approximately 5.3%. Net debt is arrived at by deducting bank balances and deposits of HK\$45.9 billion from the total borrowings and net total capital is the aggregate of total equity and net debt.

With plenty of cash on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

## **Treasury Policies**

The Group maintains a conservative approach on foreign exchange exposure management and borrows principally on a floating rate basis. The Group manages and reviews its exposure to foreign exchange rates and interest rates on a regular basis. At times of exchange rate or interest rate uncertainty or volatility and when appropriate, hedging instruments including swaps and forwards are used in the management of exposure to foreign exchange rate and interest rate fluctuations.

At the year end date, approximately 73.7% of the Group's bank borrowings were in HK\$ and US\$, with the balance in RMB and GBP mainly for the purpose of financing property projects on the Mainland and in the United Kingdom. The Group derives its revenue from property development mainly in HK\$ and RMB and maintains cash balances substantially in HK\$ and RMB. Income in foreign currencies, including GBP and SGD, is also derived from the Group's overseas property projects and cash in these currencies is maintained for operational requirements.

## **Charges on Assets**

At the year end date, certain property assets of the Group amounting to HK\$21,450 million (2014 – Nil) were charged for bank loans obtained for property projects on the Mainland and overseas.

## **Contingent Liabilities**

At the year end date, the Group provided guarantees to (i) the land provider of a joint development project for the minimum share of revenue amounting to HK\$576 million (2014 – HK\$588 million); and (ii) various banks on the Mainland for mortgage loans provided to purchasers of properties developed and sold by the Group amounting to HK\$1,678 million (2014 – Nil).

## **Employees**

At the year end date, the Group employed approximately 21,400 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$4,139 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period from 3 June 2015 (being the date of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited) to 31 December 2015. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Managing Director.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has established the Policy on Handling of Confidential Information, Information Disclosure and Securities Dealing for compliance by the Company's employees.

## **AUDIT COMMITTEE**

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") on 26 February 2015 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Chow Nin Mow, Albert and Ms. Hung Siu-lin, Katherine. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

## **REMUNERATION COMMITTEE**

In compliance with the CG Code, the Company established its remuneration committee (“Remuneration Committee”) on 26 February 2015 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr. Li Ka-shing and two Independent Non-executive Directors, namely, Ms. Hung Siu-lin, Katherine (Chairman of the Remuneration Committee) and Mr. Cheong Ying Chew, Henry.

## **ANNUAL GENERAL MEETING**

The 2016 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 13 May 2016 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 10 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2016 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Monday, 9 May 2016.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 19 May 2016, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 19 May 2016.

The Directors of the Company as at the date of this document are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Mr. CHIU Kwok Hung, Justin, Mr. CHOW Wai Kam, Ms. PAU Yee Wan, Ezra and Ms. WOO Chia Ching, Grace as Executive Directors; and Mr. CHEONG Ying Chew, Henry, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Mr. Simon MURRAY and Mr. YEH Yuan Chang, Anthony as Independent Non-executive Directors.

**Consolidated Income Statement**  
**For the year ended 31 December 2015**

	2015 HK\$ Million	2014 HK\$ Million
Group revenue	57,280	24,038
Share of revenue of joint ventures	1,513	8,189
<b>Total</b>	<b>58,793</b>	<b>32,227</b>
<b>Group revenue</b>	<b>57,280</b>	24,038
Investment and other income	580	784
Operating costs		
Property and related costs	(32,587)	(12,985)
Salaries and related expenses	(2,475)	(525)
Interest and other finance costs	(549)	(815)
Depreciation	(508)	(286)
Service fees	(357)	(892)
Other expenses	(323)	(106)
	(36,799)	(15,609)
Share of profit of joint ventures	311	2,836
Share of profit of associates	67	-
Increase in fair value of investment properties	1,408	4,542
Profit on disposal of joint ventures	1,366	2,349
<b>Profit before taxation</b>	<b>24,213</b>	18,940
Taxation	(6,305)	(1,624)
<b>Profit after taxation</b>	<b>17,908</b>	<b>17,316</b>
<b>Profit attributable to</b>		
Shareholders	17,113	17,068
Non-controlling interests	795	248
	<b>17,908</b>	<b>17,316</b>
<b>Earnings per share</b>	<b>HK\$4.43</b>	HK\$4.42

	2015 HK\$ Million	2014 HK\$ Million
<b>Dividends</b>		
Interim dividend paid	1,351	N/A
Final dividend proposed	4,053	N/A
	<b>5,404</b>	<b>N/A</b>
<b>Dividends per share</b>		
Interim dividend	<b>HK\$0.35</b>	N/A
Final dividend	<b>HK\$1.05</b>	N/A

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2015**

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
<b>Profit after taxation</b>	<b>17,908</b>	17,316
<b>Other comprehensive income (loss) - reclassifiable to profit or loss</b>		
Translation of financial statements of operations outside Hong Kong - exchange loss	<b>(3,476)</b>	(147)
Investments available for sale - gain (loss) in fair value	<b>(80)</b>	435
Share of other comprehensive loss of joint ventures	<b>(175)</b>	(1,631)
<b>Other comprehensive loss - not reclassifiable to profit or loss</b>		
Loss on remeasurement of defined benefit obligations	<b>(46)</b>	-
<b>Other comprehensive loss</b>	<b>(3,777)</b>	(1,343)
<b>Total comprehensive income</b>	<b>14,131</b>	15,973
<b>Total comprehensive income attributable to</b>		
Shareholders	<b>13,643</b>	15,726
Non-controlling interests	<b>488</b>	247
	<b>14,131</b>	15,973

**Consolidated Statement of Financial Position**  
**As at 31 December 2015**

	2015 HK\$ Million	2014 HK\$ Million
Non-current assets		
Fixed assets	18,614	9,928
Investment properties	119,959	33,285
Joint ventures	4,393	45,897
Associates	7,743	-
Investments available for sale	5,451	7,172
Long term loan receivables	1,892	301
Deferred tax assets	2,256	-
	<u>160,308</u>	<u>96,583</u>
Current assets		
Stock of properties	153,301	73,259
Debtors, deposits and prepayments	12,335	1,810
Amounts due from subsidiaries of Cheung Kong (Holdings) Limited	-	1,210
Bank balances and deposits	45,861	10,354
	<u>211,497</u>	<u>86,633</u>
Current liabilities		
Bank and other loans	5,772	250
Creditors and accruals	14,785	4,502
Customers' deposits received	11,832	5,991
Amounts due to Cheung Kong (Holdings) Limited and its subsidiaries	-	70,707
Provision for taxation	4,238	1,346
	<u>36,627</u>	<u>82,796</u>
Net current assets	<u>174,870</u>	<u>3,837</u>
Non-current liabilities		
Bank and other loans	55,217	350
Deferred tax liabilities	10,096	999
Pension obligations	178	-
	<u>65,491</u>	<u>1,349</u>
<b>Net assets</b>	<u>269,687</u>	<u>99,071</u>
<b>Representing:</b>		
Share capital	3,860	-
Share premium	250,951	-
Combined capital	-	93
Reserves	8,285	96,161
Shareholders' funds	<u>263,096</u>	<u>96,254</u>
Non-controlling interests	6,591	2,817
<b>Total equity</b>	<u>269,687</u>	<u>99,071</u>

Notes:

- (1) The principal activities of the Group are property development and investment, hotel and serviced suite operation, and property and project management.

Revenue by operating activities for the year is as follows:

	Group		Joint ventures		Total	
	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million
Property sales	48,141	19,389	918	6,959	49,059	26,348
Property rental	4,935	1,908	203	423	5,138	2,331
Hotel and serviced suite operation	3,767	2,213	238	682	4,005	2,895
Property and project management	437	528	154	125	591	653
	<b>57,280</b>	<b>24,038</b>	<b>1,513</b>	<b>8,189</b>	<b>58,793</b>	<b>32,227</b>

During the year, revenue generated by the Group's operating activities including joint ventures outside Hong Kong accounted for 58% (2014 - 24%) of the total revenue and was derived from the following locations:

	2015 HK\$ Million	2014 HK\$ Million
The Mainland	30,271	6,352
Singapore	3,781	1,262
Others	175	9
	<b>34,227</b>	<b>7,623</b>

Profit contribution by operating activities for the year is as follows:

	Group		Joint ventures		Total	
	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million	2015 HK\$ Million	2014 HK\$ Million
Property sales	15,469	6,577	53	1,924	15,522	8,501
Property rental	4,398	1,769	115	300	4,513	2,069
Hotel and serviced suite operation	1,206	952	73	275	1,279	1,227
Property and project management	176	154	81	61	257	215
	<b>21,249</b>	<b>9,452</b>	<b>322</b>	<b>2,560</b>	<b>21,571</b>	<b>12,012</b>
Interests in real estate investment trusts					500	537
					<b>22,071</b>	<b>12,549</b>
Interest and other finance costs					(549)	(815)
Increase in fair value of investment properties						
Group					1,408	4,542
Joint ventures					16	510
Profit on disposal of joint ventures					1,366	2,349
Others					43	529
Taxation						
Group					(6,305)	(1,624)
Joint ventures					(142)	(724)
Profit attributable to non-controlling interests					(795)	(248)
Profit attributable to shareholders					<b>17,113</b>	<b>17,068</b>

- (2) Profit before taxation is arrived at after charging:

	2015 HK\$ Million	2014 HK\$ Million
Interest and other finance costs		
Cheung Kong (Holdings) Limited and its subsidiaries	355	1,142
Bank and others	1,032	103
	<b>1,387</b>	<b>1,245</b>
Less: Amount capitalised	(838)	(430)
	<b>549</b>	<b>815</b>
Costs of properties sold	<b>29,797</b>	<b>11,708</b>

- (3) Hong Kong profits tax has been provided for at the rate of 16.5% (2014 - 16.5%) on the estimated assessable profits for the year. Tax outside Hong Kong has been provided for at the local enacted rates on the estimated assessable profits of the individual company concerned. Deferred tax has been provided on temporary differences based on the applicable enacted rates.

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Current tax		
Hong Kong	<b>1,414</b>	1,364
Outside Hong Kong	<b>3,359</b>	231
Deferred tax	<b>1,532</b>	29
	<b>6,305</b>	1,624

- (4) The calculation of earnings per share is based on profit attributable to shareholders and on 3,859,678,500 shares issued on the Completion Date (as defined in note (6) below) as if such number of shares had been in issue throughout the years concerned.
- (5) The Group's trade debtors comprise mainly receivables for sales and leasing of properties. Sales terms vary for different development projects and are determined with reference to the prevailing market conditions. Sales of properties are normally completed when sales prices are fully paid in accordance with the terms of sale and purchase agreements and deferred payment terms are sometimes offered to purchasers at a premium. Rentals and deposits are payable in advance by tenants as set out in the terms of tenancy agreements.

At the year end date, ageing analysis of trade debtors with reference to the terms of the agreements was as follows:

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Current to one month	<b>9,244</b>	1,487
Two to three months	<b>60</b>	43
Over three months	<b>55</b>	19
	<b>9,359</b>	1,549

At the year end date, ageing analysis of trade creditors with reference to invoice dates and credit terms was as follows:

	<b>2015</b>	2014
	<b>HK\$ Million</b>	HK\$ Million
Current to one month	<b>4,956</b>	1,563
Two to three months	<b>48</b>	24
Over three months	<b>52</b>	31
	<b>5,056</b>	1,618

- (6) In preparation for the listing of the shares of the Company by way of introduction on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") after the completion of the merger proposal concerning CK Hutchison Holdings Limited ("CK Hutchison") and its subsidiaries ("Cheung Kong Group") and Hutchison Whampoa Limited and its subsidiaries ("Hutchison Group"), the property businesses of Cheung Kong Group and the companies concerned ("Cheung Kong Property Group") and the property businesses of Hutchison Group and the companies concerned ("Hutchison Property Group") were combined ("Property Businesses Combination") and reorganised to form part of the Group, and shares of the Company were issued immediately thereafter to the shareholders of CK Hutchison by way of capitalisation of share premium established pursuant to the Property Businesses Combination. The completion of Property Businesses Combination took place on 3 June 2015 ("Completion Date") and the listing of the shares of the Company on the Hong Kong Stock Exchange became effective on the same date.

The consolidated financial statements incorporated the assets and liabilities of Cheung Kong Property Group throughout the years presented and upon completion of the Property Businesses Combination, the assets and liabilities of Hutchison Property Group were incorporated using their book values as at the Completion Date. The results and cash flows of Cheung Kong Property Group were incorporated in the consolidated financial statements throughout the years presented whereas the results and cash flows of Hutchison Property Group were incorporated in the consolidated financial statements only for the period from the Completion Date to the year end date.

The International Accounting Standards Board has issued a number of new and revised International Financial Reporting Standards ("IFRSs"). The adoption of these IFRSs which are effective for the Group's annual accounting periods beginning on 1 January 2015 has no significant impact on the Group's results and financial position, and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

- (7) The annual results have been reviewed by the Audit Committee.