恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2013 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of your Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2013.

Profit and Net Asset Value Attributable to Shareholders

The Group's underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2013 amounted to HK$8,938 million, representing an increase of HK$1,847 million or 26% over HK$7,091 million (as restated) for the corresponding year ended 31 December 2012. Underlying earnings per share were HK$3.35 (2012: HK$2.70 as adjusted for the bonus issue in 2013).

Including the fair value change (net of non-controlling interests and deferred tax) of investment properties, the Group reported profit attributable to equity shareholders for the year ended 31 December 2013 was HK$15,948 million, representing a decrease of HK$4,253 million or 21% from HK$20,201 million (as restated) for the corresponding year ended 31 December 2012. Reported earnings per share were HK$5.97 (2012: HK$7.70 as adjusted for the bonus issue in 2013).

At 31 December 2013, the net asset value attributable to equity shareholders amounted to HK$223,402 million, 9% higher than the amount of HK$205,163 million (as restated) at 31 December 2012. Net debt (including the amount of HK$5,474 million (2012: HK$6,125 million) due to a wholly owned subsidiary of Henderson Development Limited which is controlled by the private family trusts of Dr. Lee Shau Kee) amounted to HK$38,344 million (2012: HK$35,205 million) giving rise to a gearing ratio of 17.2% (2012: 17.2%).

Dividends

Your Board recommends the payment of a final dividend of HK$0.74 per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 June 2014, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.32 per share already paid, the total dividends for the year ended 31 December 2013 will amount to HK$1.06 per share (2012: HK$1.06 per share).

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend and bonus shares, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and election form will be sent to shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent to shareholders on Friday, 18 July 2014.

Issue of Bonus Shares

The Board proposes to make a bonus issue of one new share for every 10 shares held (2012: one bonus share for every 10 shares held) to shareholders whose names appear on the Register of Members on Tuesday, 17 June 2014. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Friday, 18 July 2014.

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Business Review

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2013 was up by 26% to HK$8,938 million. Revenue from property sales, including the attributable share of contribution from subsidiaries, associates and joint ventures, increased markedly by 91% to HK$17,095 million. Pre-tax net rental income, including the attributable share of contribution from subsidiaries, associates and joint ventures, increased by 14% to HK$5,605 million. At the end of 2013, the net asset value attributable to equity shareholders amounted to HK$223,402 million, translating into a net asset value per share of HK$82.77. It represented a trading discount of close to 47% when compared with closing market price of HK$44.25 per share on that day.

Hong Kong

In February 2013, the Government announced the implementation of double stamp duty measures. When the "Residential Properties (First-hand Sales) Ordinance" came into effect in April, most developers deferred their sales launches so as to adapt to the new provisions. The resulting fall in both demand and supply has led to a significant decrease in first-hand residential sales. The Group took the lead to prepare appropriate sales brochures and meet the new transparency requirements, enabling it to maintain the sale of properties seamlessly. Consequently, up to the end of last year, the Group was the developer that had the most first-hand project launches in Hong Kong since the implementation of the new Ordinance. The Group was also one of the developers with the highest property sales in Hong Kong for the year under review.

Property Sale

During the year under review, the Group launched an array of residential developments for pre-sale including "High Place" at Kowloon City, "High Point" at Cheung Sha Wan, "High Park" at Boundary Street and "The Hemispheres" at North Point, as well as "Green Code" at Fanling which is developed by the Group's associate - Hong Kong Ferry (Holdings) Company Limited. All these developments have sold well, which demonstrates that the Group's small- to medium-sized units of superior quality are highly sought after by the local end-users. For instance, "Green Code" at Fanling was launched in March 2013 with nearly 95% of its total 728 residential units pre-sold by the end of the year. Together with other popular developments such as "The Reach" in Yuen Long, "Double Cove" - Phase 1 in Ma On Shan, "39 Conduit Road" at Mid-Levels and "Hill Paramount" in Shatin, the Group sold an attributable total of HK$7,389 million worth of Hong Kong residences for the year ended 31 December 2013.

The Group was also actively marketing its office and industrial developments, which are not affected by the "Residential Properties (First-hand Sales) Ordinance". "Global Trade Square" at Wong Chuk Hang, launched in April 2013, was almost sold out by the end of the year. To follow, "Global Gateway Tower" at 63 Wing Hong Street, Cheung Sha Wan, was put up for sale in December 2013. The entire 110,000-square-foot development of "Kowloon Building" was disposed of during the year. Proceeds arising from these disposals of commercial developments and investment properties totalled HK$3,107 million. Including the aforesaid residential sales revenue, the Group sold an attributable total of HK$10,496 million worth of properties for the year under review.

Following the end of this financial year, the Group released "Double Cove Starview" (Double Cove – Phase 2) for pre-sale. For the first four batches of residential units launched, over 92% of their total 823 units was sold in just two weeks. Together with the sales of other projects, the total attributable contracted sales in Hong Kong for the first two months of 2014 exceeded HK$3,600 million.

In the coming years, various categories of development projects (with the exception of a few earmarked for rental purposes) will provide the following areas for sale:

(1) Unsold units from the major development projects offered for sale

There are 16 development projects available for sale:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Land-use Purpose	Group's interest (%)	At 31 December 2013 No. of residential units remaining unsold	At 31 December 2013 Approximate saleable area remaining unsold (sq. ft.)
1.	Double Cove - Phase 1 8 Wu Kai Sha Road, Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	213	200,000
2.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	630	385,000
3.	Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	33.33	37	27,000
4.	High Park 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	49	30,000
5.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	98	41,000
6.	High Place 33 Carpenter Road Kowloon City	3,582	31,638	Commercial/ Residential	100.00	22	7,000
7.	The Hemispheres, 3 Gordon Road, North Point	7,386	61,602	Commercial/ Residential	100.00	68	30,000
8.	The Gloucester 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	9	12,000
9.	High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	17	8,000
10.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	31 (Note 1)	80,000 (Note 1)
11.	The Beverly Hills - Phases 1 – 3 23 Sam Mun Tsai Road Tai Po	982,376	1,165,240	Residential	90.10	3	18,000
12.	Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	6	17,000
13.	Green Lodge Tong Yan San Tsuen Yuen Long	78,781	78,781	Residential	100.00	6	13,000

14.	E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	85,000 (Note 2)
15.	Global Trade Square 21 Wong Chuk Hang Road	14,298	214,467	Office	50.00	Not applicable	10,000 (Note 2)
16.	Global Gateway Tower (21/F, 22/F and 26/F) 63 Wing Hong Street Cheung Sha Wan	28,004 (Note 3)	335,968 (Note 3)	Industrial	100.00	Not applicable	28,000 (Note 2)
					Sub-total:	**1,189**	**991,000**
						Area attributable to the Group:	**771,000**

Note 1: In addition, there are 16 residential units held for investment purpose.
Note 2: Representing the commercial or industrial area.
Note 3: Representing the total site area and the total gross floor area for the whole project.

(2) Projects pending sale in 2014

In the absence of unforeseen delays, the following projects will be available for sale in 2014:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Land-use purpose	Group's interest (%)	No. of Residential Units	Gross floor area (sq. ft.)
1.	Double Cove Starview (Double Cove - Phase 2) 8 Wu Kai Sha Road, Ma On Shan	65,983	638,628	Residential	59.00	865	573,294 (Note 1)
2.	Double Cove - Phase 3 (Note 2) 8 Wu Kai Sha Road, Ma On Shan	228,285	816,817	Commercial/ Residential	59.00	1,092	807,688
3.	High Park Grand 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	41	50,625
4.	186-198 Fuk Wing Street Sham Shui Po	7,350	63,034	Commercial/ Residential	100.00	110	53,960
5.	565-577 Fuk Wah Street Cheung Sha Wan	7,560	63,786	Commercial/ Residential	100.00	187	56,698
6.	121 Bulkeley Street Hung Hom (Note 2)	6,268	55,552	Commercial/ Residential	33.33	95	46,946
7.	1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang	6,529	65,256	Residential	70.00	119	65,256
8.	62-76 Ap Lei Chau Main Street Southern District	7,953	65,764	Commercial/ Residential	100.00	106	61,179
9.	Global Gateway Tower (Remaining floors not yet put up for sale) 63 Wing Hong Street Cheung Sha Wan	28,004 (Note 3)	335,968 (Note 3)	Industrial	100.00	Not applicable	297,245 (Note 4)
					Sub-total:	**2,615**	**2,012,891**
					Area attributable to the Group:		**1,395,812**

Note 1: It was launched for sales in January 2014 and this represented the residential saleable area required to be stated under the "Residential Properties (First-hand Sales) Ordinance".
Note 2: Pending the issue of pre-sale consent.
Note 3: Representing the total site area and the total gross floor area for the whole project.
Note 4: Excluding the gross floor area of three storeys which were launched for sales as shown in above table (1).

(3) Remaining phases of Double Cove

In the absence of unforeseen delays, they are expected to be available for sale in 2015:

Project name and location		Site area (sq. ft.)	Gross floor area (sq. ft.)	Land-use purpose	Group's interest (%)	No. of Residential Units	Residential gross floor area (sq. ft.)
1.	Double Cove - Phase 4 8 Wu Kai Sha Road, Ma On Shan	194,532	383,306	Residential	59.00	474	383,306
2.	Double Cove - Phase 5 8 Wu Kai Sha Road, Ma On Shan	85,638	327,445	Residential	59.00	178	327,445
					Sub-total:	**652**	**710,751**
						Area attributable to the Group:	**419,343**

(4) Existing Urban Redevelopment Projects

The Group had a total of 5 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.28 million square feet in attributable gross floor area in the urban areas based on the Government's latest city planning:

	Project name and location	Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's Interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	45-47 Pottinger Street and Ezra's Lane, Central Hong Kong (Note 1)	9,067	135,995	19.10	25,968
2.	29 Lugard Road The Peak, Hong Kong	23,649	11,824	100.00	11,824
3.	8 Wang Kwong Road Kowloon Bay, Kowloon (Notes 1 and 2)	21,528	173,491	100.00	173,491
4.	14-30 King Wah Road North Point, Hong Kong (Notes 1 and 3)	52,689	329,755	100.00	329,755
5.	Yau Tong Bay Kowloon (Note 4)	822,380	4,022,465	18.44	741,742
	Total:	**929,313**	**4,673,530**		**1,282,780**

Note 1: Investment property.

Note 2: The existing industrial building (i.e. Big Star Centre) at this site is planned to be reconfigured for commercial use, free of payment of any fee for the land-use conversion under the Government's revitalization policy. However, such plan is still subject to the Government's approval.

Note 3: With the approval from the Town Planning Board to be redeveloped into an office tower, it is now subject to the finalization of land premium with the Government.

Note 4: Outline zoning plan was approved on 8 February 2013 by Metro Planning Committee of the Town Planning Board and it is still pending finalization of land premium with the Government.

(5) Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

There are 14 newly-acquired urban redevelopment projects with ownership fully consolidated and in the absence of unforeseen delays, most of these projects are expected to be available for sale in 2015-2016. Their expected attributable gross floor areas, based on the Government's latest city planning, are as follows:

	Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	
Hong Kong				
1.	19-35 Shing On Street and 15 Tai Shek Street, Sai Wan Ho	7,513	79,574	(Note 1)
2.	23-25 Robinson Road, Mid-Levels (25.07% stake held by the Group)	31,380	39,334	(Note 2)
3.	208-210 Johnston Road, Wanchai	1,939	29,085	(Note 2)
4.	307-329 Des Voeux Road West, Western District (20% stake held by the Group)	10,034	20,871	
	Sub-total:	**50,866**	**168,864**	
Kowloon				
5.	11-33 Li Tak Street, Tai Kok Tsui	19,600	165,340	(Note 1)
6.	2-12 Observatory Road, Tsim Sha Tsui (50% stake held by the Group)	13,764	82,533	(Note 2)
7.	38-40A Hillwood Road, Tsim Sha Tsui	4,586	55,018	(Note 2)
8.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan	11,404	101,791	
9.	1-15 Berwick Street, Shek Kip Mei	9,788	78,304	
10.	342-348 Un Chau Street, Cheung Sha Wan	4,579	38,922	
11.	352-354 Un Chau Street, Cheung Sha Wan	2,289	19,457	
12.	11-19 Wing Lung Street, Cheung Sha Wan	6,510	58,547	(Note 1)
13.	7-7G Victory Avenue, Homantin	9,865	83,853	(Note 1)
14.	196-202 Ma Tau Wai Road, To Kwa Wan	4,905	41,400	(Note 1)
	Sub-total:	**87,290**	**725,165**	
	Total:	**138,156**	**894,029**	

Note 1: Expected to be available for sale in 2015.
Note 2: To be held for rental purposes upon completion of development.

(6) Newly-acquired Urban Redevelopment Projects - with over 80% ownership secured

There are 17 newly-acquired urban redevelopment projects with over 80% ownership acquired and their ownership will be consolidated by proceeding to the court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2015-2017. On the basis of the Government's latest city planning, the expected gross floor areas are shown as follows:

	Project name and location	Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)
Hong Kong			
1.	450-456G Queen's Road West, Western District	28,371	275,998
2.	85-95 Shek Pai Wan Road, Aberdeen	4,950	42,075
3.	4-6 Tin Wan Street, Aberdeen	1,740	14,790
4.	12-18 Tin Wan Street, Aberdeen	4,148	39,406
5.	9-13 Sun Chun Street, Tai Hang	2,019	18,171
6.	21-39 Mansion Street and 852-858 King's Road, North Point	17,720	168,640
7.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,920
	Sub-total:	**111,414**	**866,000**
Kowloon			
8.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan	23,031	207,929
9.	2A-2F Tak Shing Street, Jordan	10,614	84,912
10.	456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po	22,965	206,685
11.	1-19 Nam Cheong Street, Sham Shui Po	8,625	77,625
12.	79-83 Fuk Lo Tsun Road, Kowloon City	3,630	30,855
13.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965
14.	8-30A Ka Shin Street, Tai Kok Tsui	19,738	176,211
15.	35-47 Li Tak Street/2-16 Kok Cheung Street/32-44 Fuk Chak Street, Tai Kok Tsui	20,114	175,677
16.	21-27 Berwick Street and 212-220 Nam Cheong Street, Shek Kip Mei	10,538	84,304
17.	3-8 Yiu Tung Street, Shek Kip Mei	6,825	54,600
	Sub-total:	**148,965**	**1,304,763**
	Total for 17 projects with over 80% ownership:	**260,379**	**2,170,763**

(7) Newly-acquired Urban Redevelopment Projects - with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 41 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging between 20% to 80% has been achieved. The attributable land area of these projects totals about 420,000 sq.ft.. If and when their ownerships are successfully consolidated, based on the Government's latest city planning, the total estimated attributable gross floor area would be about 3,800,000 sq.ft. upon completion of redevelopment. Based on the respective ownership currently secured for each project, the total pro-rata attributable gross floor area is about 1,800,000 sq.ft..

Successful acquisitions for the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopments can only be implemented upon acquisition of the full ownership of the relevant projects.

Properties Under Development and Completed Stock

		No. of projects	Attributable saleable/redevelopment gross floor area (Million sq. ft.) (Note 1)	Note
(A) All of the above different categories of developments are summarized as follows:				
1.	Major development projects offered for sale with units unsold	16	0.8	
2.	Projects pending sale in 2014	9	1.4	
	Sub-total:		**2.2**	Available for sale in 2014
3.	Remaining phases of Double Cove	2	0.4	Expected to be available for sale in 2015
4.	Existing Urban Redevelopment Projects	5	1.3	Date of sales launch not yet fixed and two of them are pending finalization of land premium with the Government
5.	Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	14	0.9	Most of them are expected to be available for sale in 2015-2016
6.	Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	17	2.2	Most of them are expected to be available for sale in 2015-2017
7.	Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	41	1.8	Redevelopments of these projects are subject to consolidation of their ownership
	Total for the above Categories (1) to (7) development projects:		**8.8**	
(B) Major development projects in New Territories:				
-	Fanling North/Kwu Tung		3.9	(Note 2)
-	Wo Shang Wai		0.9	(Note 2)
-	Lot No. 2640 in DD No. 92 Castle Peak Road-Kwu Tung Sheung Shui, New Territories		0.5	
-	Others		0.4	
	Sub-total:		**5.7**	
	Total for Item (A) and (B)		**14.5**	

Note 1: Gross floor area is calculated on the basis of the Government's latest city planning parameters as well as the Company's development plans. For certain projects, it may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalization of land premium.

Land Bank

In November 2013, the Group acquired a residential site with breathtaking views of the surrounding Fanling golf courses through public tender at the consideration of HK$2,888 million. Details are shown in the table below:

Location	**Site area (sq. ft.)**	**Land-use purpose**	**Group's interest (%)**	**Estimated attributable gross floor area (sq. ft.)**
Lot No. 2640 in DD No. 92 Castle Peak Road-Kwu Tung Sheung Shui, New Territories	154,280	Residential	100.00	555,000

The Group currently has a land bank in Hong Kong with a total attributable gross floor area of approximately 24.6 million square feet, made up as follows:

	Attributable gross floor area (million sq.ft.)
Properties under development (Note)	13.7
Major completed stock for sale	0.8
Sub-total:	14.5
Completed properties (including hotels) for rental	10.1
Total：	**24.6**

Note: Including the total developable area of about 4.8 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

Land in Urban Areas

As aforesaid, 31 urban redevelopment projects of old tenement buildings with entire or over 80% ownership are available for sale or leasing in 2015 or beyond. They are expected to provide a total attributable gross floor area of about 3.1 million square feet. The total land cost is estimated at about HK$17,300 million (inclusive of the pricey street shops and the joint venture project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$5,600 per square foot of gross floor area.

During the year under review, the Group completed the acquisition of the entire interests in the projects at Hillwood Road in Tsim Sha Tsui, Ma Tau Kok Road/ Pau Chung Street in To Kwa Wan, Victory Avenue in Homantin, as well as Des Voeux Road West in Western District (in which the Group has a 20% stake). The sites for the projects at Sai Yeung Choi Street North in Sham Shui Po and Yiu Tung Street in Shek Kip Mei were both enlarged following the completion of the acquisition of the adjacent buildings. Whereas, over 80% ownership of the projects at Kok Cheung Street in Tai Kok Tsui, Li Tak Street/Kok Cheung Street in Tai Kok Tsui, as well as Seymour Road in Mid-Levels (in which the Group has a 65% stake), was all secured, enabling the Group to proceed to the court for compulsory sale in the near future.

For the Group's 50%-owned project at Observatory Road, Tsim Sha Tsui, the Group reached an agreement with the Government to modify its land lease in relation to the relaxation of the development plot ratio and height restriction. The modification is subject to a payment of land premium of about HK$133.7 million.

New Territories land

At 31 December 2013, the Group held New Territories land reserves amounting to approximately 42.5 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already published in the Gazette in December 2013. Of the Group's land holding of 2.8 million square feet in these areas, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use through cash compensation. The Group has applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung. They are expected to provide a total developable gross floor area of approximately 3,620,000 square feet and 270,000 square feet respectively, against their respective site area of 768,000 square feet and 45,000 square feet. Developable areas for both sites are subject to finalization of land premium.

According to the above "North East New Territories New Development Areas Planning and Engineering Study", the region at Ping Che/Ta Kwu Ling will be re-planned, in response to the "2013 Policy Address" which put forward an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" and the Study Area was about 5,300 hectares. The Group holds certain pieces of land in that Study Area.

For "Hung Shui Kiu New Development Area Planning and Engineering Study", Stage 3 Community Engagement is expected to be launched in mid-2014 so as to allow the public to discuss the Recommended Outline Development Plan. The Group holds a total site area of 5.5 million square feet in Hung Shui Kiu New Development Area, which covers an area of approximately 826 hectares. Under the Preliminary Outline Development Plan, it was proposed to accommodate a new town of a population of about 218,000 and about 60,000 additional flats, of which about 50% are private developments. The Government is now gauging the public views and has expressed no view on the issues of land resumption or in-situ land exchange in that region. Impacts to the Group arising from these proposals are yet to be seen. The Group will continue to work in line with the Government's development policies and follow up closely with its development plans.

On 15 November 2013, the Group entered into an agreement with Pok Oi Hospital to donate a land lot of about 100,000 square feet in Lam Tei, Tuen Mun for the development in phases into homes for the aged together with the supporting facilities. Chairman Lee would donate to the Group an amount of HK$107 million, being the value of the land as assessed by an independent valuer.

Investment Properties

At 31 December 2013, the Group held a total attributable gross floor area of approximately 9.1 million square feet of completed investment properties in Hong Kong, comprising 4.5 million square feet of shopping arcade or retail space, 3.3 million square feet of office space, 0.9 million square feet of industrial/office space and 0.4 million square feet of residential and apartment space. This rental portfolio is geographically diverse, with 25% in Hong Kong Island, 33% in Kowloon and the remaining 42% in the New Territories (with most of the latter being large-scale shopping malls in new towns). At the end of December 2013, the leasing rate for the Group's core rental properties was 96%. Besides, there were more than 9,000 car parking bays, providing additional rental income to the Group.

During the year under review, the Group's attributable gross rental income in Hong Kong, including the attributable contribution from subsidiaries, associates and joint ventures, was up by 10% to HK$6,004 million. The attributable pre-tax net rental income, including the attributable contribution from subsidiaries, associates and joint ventures, was HK$4,534 million, representing growth of 12% over the previous year. Included therein is attributable gross rental income of HK$1,711 million (2012: HK$1,591 million) contributed from the Group's attributable interest of 40.76% (2012: 40.51%) in The International Finance Centre ("ifc") project.

Underpinned by strong consumption sentiment and increasing inbound tourism, total retail sales of Hong Kong (both in terms of value and volume) increased by about 11% for the whole year of 2013. The Group thus undertook targeted marketing activities, including organizing shopping tours for mainlanders and wider adoption of multi-media promotional channels, to attract more customers to its shopping malls and boost tenants' business. At the end of 2013, all of the Group's major shopping malls, except those under renovation or re-alignment of tenant mix, recorded nearly full occupancy. There was significant increase in rents for most of the retail shops following rental reversion. Renovation is in progress to further enhance the competitiveness of the Group's various regional shopping malls (such as Sunshine City Plaza in Ma On Shan, Metro City Plaza II in Tseung Kwan O, Citimall in Yuen Long and City Landmark I in Tsuen Wan) which have broad customer bases and offer easy access to MTR stations.

The office leasing market remained steady amid a stabilizing global economy. The Group's office developments in the core areas, such as ifc in Central, AIA Tower in North Point, as well as Golden Centre and FWD Financial Centre in Sheung Wan, have all performed well. The Group's approximately 2,000,000-square-foot portfolio of office and industrial/office premises in Kowloon East, including Manulife Financial Centre and AIA Financial Centre, also recorded positive rental revisions and higher rents for new leases. To further improve their rental values and appeal to discerning tenants, the Group regularly enhances the green features and upgrades the quality of its office developments. Extensive facility upgrades for AIA Tower in North Point commenced in the last quarter of 2013, whilst renovation for both Golden Centre and FWD Financial Centre in Sheung Wan are planned to commence in 2014.

The leasing performance of the Group's luxury residences, namely Eva Court and 39 Conduit Road, as well as the serviced suites at Four Seasons Place was satisfactory. A 66,000-square-foot hotel development at 388 Jaffe Road, Wanchai, which was opened in November 2013 and is being operated by Miramar Hotel and Investment Company, Limited under the name of "Mira Moon", offers 91 stylish guest rooms.

The Group has a 20% attributable interest in a joint venture that owns the Citygate project in Tung Chung. Capitalizing on the opportunities arising from the growing inbound tourism, the joint venture won the bid for a commercial land lot adjacent to Citygate at a consideration of about HK$2,328 million in March 2013. An iconic 540,000-square-foot commercial complex will be built to integrate with Citygate, creating a mixed development of over one million square feet in close proximity to Hong Kong International Airport.

Hotel and Retailing Operations

During the year under review, visitor arrivals to Hong Kong reached a record high of over 54 million, of which overnight visitor arrivals increased by 8.0% to about 26 million. As the city's hospitality leader, The Four Seasons Hotel Hong Kong recorded increases in both occupancy rate and average room rate. The hotel was again given a five-star rating by the Forbes Travel Guide and its Lung King Heen restaurant again received a top three-star rating in the Michelin Guide to Hong Kong and Macau 2014. The Group's three Newton hotels (including the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel) recorded a lower occupancy rate, albeit maintaining a steady average room rate, mainly due to intense competition from newly-built hotels in the economy hotel sector. For the year ended 31 December 2013, the Group's profit from hotel operations, including the attributable contribution from its subsidiaries, associates and joint ventures, decreased by 14% to HK$248 million.

Established in 1989, Citistore has six department store outlets, and a "id:c" specialty store which introduces a collection of fashion brands from Japan. During the year under review, Citistore's turnover and profit contribution increased by 7% to HK$399 million and 18% to HK$79 million, respectively.

Construction and Property Management

In order to improve the cityscape and to provide better and safer living conditions for the community, the Group has been active in acquiring old tenement buildings for urban redevelopment purposes. As most of these projects are located in populous districts, in order to expedite the construction process and minimize disruption to the neighbourhoods, leading features recommended by the Leadership in Energy and Environmental Design (LEED) and BEAM Plus have been adopted. For instance, in addition to the self-developed pre-fabricated building components, the Group also procured advanced facilities to conduct foundation piling works for its development projects. Against the prevailing increase in material costs and a shortage of construction workers, the above measures can help raise quality and cost efficiency by reducing construction waste and manpower.

The following main development projects in Hong Kong were completed during the year under review:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	Attributable gross floor area (sq.ft.)
1.	Double Cove (Phase 1) 8 Wu Kai Sha Road Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	462,834
2.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	1,027,188
3.	Global Trade Square 21 Wong Chuk Hang Road	14,298	214,467	Office	50.00	107,234
					Total:	**1,597,256**

In mainland China, the Group's Construction Department takes charge of the key process of selecting main contractors and sub contractors, material sourcing and work tendering. They also closely monitor every project's cost effectiveness, work quality, construction safety and progress to ensure the same standard of excellence regarding building quality is achieved.

The Group's property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited, collectively manage over 80,000 apartments and industrial/commercial units, 8 million square feet of shopping and office space, as well as 20,000 car parking units in Hong Kong and mainland China.

To complement the Group's recent promotion of the urban redevelopment boutique residences under "The H Collection", these property management companies will provide unparalleled one-stop home services to the residents enabling them to enjoy hassle-free urban living. Their commitment to service excellence has also been extended to the Group's projects in mainland China. Both "Hengbao Huating" and "Hengli Wanpan Huayuan" in Guangzhou received the accolades of "Excellent Property Management Community Showcase", "Guangdong Province Enterprise of Observing Contract and Valuing Credit", and "Leading Enterprise for Property Management Services in Liwan District 2013".

Both the Construction and Property Management Teams are in the forefront of servicing the community and giving back to society, as the Group has long pledged. Apart from proactively promoting site safety within the industry, the Group's Construction Team was also an active supporter of the Construction Charity Fund, which provides immediate assistance to victims of tragic industrial accidents. Following the success of the preceding "Year of Care", the Property Management Teams launched "The Year of Senior" so as to raise public awareness of caring about the elderly. Their volunteer team, after winning the "Highest Voluntary Service Hour Award" championship for eight consecutive years, was recently selected by the Agency for Volunteer Service as the only winner for the fifth "Hong Kong Volunteer Award - Corporate Award". Their unflagging efforts will be elaborated on in the "Sustainability and CSR" section of the Annual Report.

Mainland China

In 2013, the mainland property market showed an overall improvement in sentiment. Although mainland China experienced a slow-down in economic growth in the first half of the year, an incessant end-user housing demand emerged, resulting from favourable government policies that encourage first time home ownership. The expectation of rising property prices also led to the continuous demand for housing with better quality. The macro economy of mainland China showed a steady rebound from August 2013. At the same time, there was a shift in government policy from administrative measures to market driven adjustment. Local governments were also allowed the flexibility to devise measures commensurate with the particular market conditions. Therefore, the overall property market remained buoyant and bidding was brisk at land auctions.

During the year, much effort was made towards reorganization, enhancing efficiencies and integrating resources for the Group's development projects in mainland China. Particular attention was paid to standardization of design layout and building materials, to expedite the development process and reduce development costs, which in turn raise the Group's competitiveness and profit margin.

As a result of localization, the task of marketing on the mainland is now conducted by the local management teams. In re-positioning our products, widely acclaimed features of the best selling projects are adopted and optimized. This will form the basis of our strategy for the later phases of our developments and future land acquisitions.

The following development projects were completed during the year under review:

	Project name	**Land-use purpose**	**Group's interest (%)**	**Approximate attributable gross floor area (million sq.ft.)**
1.	Phase 1, Emerald Valley, Nanjing	Residential	100	0.47
2.	Xuzhou Lakeview Development, Phase 1A	Residential	100	0.69
3.	Phases 1B (C2) and 3A (C2), La Botanica, Xian	Residential	50	1.42
4.	Treasure Garden, Nanjing	Residential	90.1	0.79
5.	Phase 1A, Grand Lakeview, Yixing	Residential	100	1.80
6.	Phase 1B, Riverside Park, Suzhou	Residential	100	0.42
7.	Phase 2A, The Arch of Triumph, Changsha	Residential	100	0.43
			Total:	**6.02**

In July 2013, the Group entered into a co-operation framework agreement with CIFI Holdings (Group) Co. Ltd. ("CIFI", a property developer listed in Hong Kong) on a 51:49 ownership basis to jointly develop a residential and commercial site of about 930,000 square feet in Yuhang District, Hangzhou. The land costs RMB763 million and will provide a planned total gross floor area of over 2.3 million square feet, of which not less than 90% is intended for residential use.

In December 2013, the Group entered into another co-operation framework agreement with CIFI to form a 50/50 joint venture to develop a residential and commercial site of about 910,000 square feet in Hongqiao Business District, Minhang District, Shanghai. The land lot, which was bought previously in a public auction at a consideration of RMB2,144 million, will provide a planned total gross floor area of over 1.8 million square feet.

In addition to approximately 1.2 million square feet in attributable gross floor area of completed property stock, the Group at 31 December 2013 had a sizeable development land bank across 16 major cities with a total attributable gross floor area of about 136.1 million square feet, of which around 82% was planned for residential development for sale:

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq. ft.)
Prime cities	
Shanghai	1.6
Guangzhou	14.6
Sub-Total:	**16.2**
Second-tier cities	
Anshan	17.8
Changsha	13.1
Chengdu	4.0
Chongqing	4.9
Dalian	10.3
Fuzhou	1.8
Hangzhou	1.2
Nanjing	1.7
Shenyang	11.1
Suzhou	15.6
Tieling	8.7
Xian	17.3
Xuzhou	4.6
Yixing	7.8
Sub-Total:	**119.9**
Total:	**136.1**

** Excluding basement areas and car parks*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	**Percentage**
Residential	111.2	82%
Commercial	10.5	8%
Office	9.7	7%
Others (including clubhouses, schools and community facilities)	4.7	3%
Total:	**136.1**	**100%**

Property Sales

During the year under review, the Group sold and pre-sold in total an attributable HK$7,315 million worth of mainland properties, a marked increase of 12% as compared with HK$6,548 million for the previous year. "Riverside Park" in Suzhou, "Grand Waterfront" in Chongqing, "High West" in Chongqing, Xuzhou Lakeview Development and "Treasure Garden" in Nanjing had sold particularly well.

Investment Properties

At 31 December 2013, the Group had 6.6 million square feet of completed investment properties in mainland China, comprising mainly offices and shopping malls in the city centres of Beijing, Shanghai and Guangzhou. As a result of higher rents and greater contributions from new investment properties, the Group's attributable gross rental income and pre-tax net rental income increased by 12% to HK$1,303 million and by 24% to HK$1,071 million, respectively during the year under review.

In Beijing, World Financial Centre houses many world-renowned financial institutions and multinational corporations such as Standard Chartered Bank, British Petroleum, Shell China, Alibaba and Rabobank. During the year under review, gross rental income for this international Grade-A office complex increased by 12% to HK$511 million with the leasing rate exceeding 95% by the end of 2013. As to the shopping mall at Henderson Centre, after much deliberation, the tenant mix has been optimised and the asset quality upgraded. Hence, a 71% year-on-year growth in rental income was achieved and the leasing rate exceeded 93% at 31 December 2013.

In Shanghai, Henderson Metropolitan occupies a superb location near the Bund. With its unique architectural design, eclectic mix of retail flagships (including the avant-garde flagship store of Apple), innovative marketing events and premium estate management, it has developed into a trendy focal shopping point along Nanjing Road East, the busiest pedestrian street in the City. In 2013, improvement works carried out on the shopping centre included a total revamp of the entire B2 level, which offers a completely new appeal to consumers. The Group has also diversified the tenant mix of the shopping mall so as to offer more variety in terms of fine dining outlets, fashion brands and entertainment facilities, to fulfill the shopping needs of modern families. In order to enhance its popularity and to create a lively ambience, Henderson Metropolitan hosted spectacular and unique marketing campaigns every month. Grand Gateway II is widely acclaimed as a leading Grade-A office building in Xuhui District and its office space is highly sought after by leading multinational corporations. Greentech Tower has become a new landmark in Zhabei District after successfully attracting a wide array of quality tenants. Both its office tower and commercial mall have been fully leased within a period of slightly more than one year. The Group's leasing achievements were recognised and lauded by the Zhabei District Government which granted Henderson a tax rebate as reward. In 2013, the Zhabei District Government also bestowed the award of "Excellent Building" on Centro in recognition of its excellent building management. Henderson 688 is a property situated at the prestigious Nanjing Road West in Jingan District. It has an aesthetic "progressive staircase" design and a glittering facade from many perspectives. It is scheduled for completion in 2014. Pre-leasing has been launched and the response has been good. Several renowned dining outlets have already signed up for spaces in the mall, providing complementary facilities to the office tenants of the property. The Group's intense leasing efforts have led to an increase of 10% year-on-year in gross rental income from investment properties in Shanghai.

In Guangzhou, Heng Bao Plaza atop the Changshou Road subway station was under realignment of tenant mix and its leasing rate was slightly lowered to 90% at 31 December 2013.

Henderson Investment Limited ("HIL")

For the year ended 31 December 2013, HIL's profit attributable to equity shareholders amounted to HK$10 million, representing a decrease of HK$15 million or 60% from HK$25 million for the corresponding year ended 31 December 2012. Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of HIL was provisionally suspended. For the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognized in the accounts of HIL. Profit for the year under review mainly comprised bank interest income and net foreign exchange gain totalling HK$50 million, which was offset by the direct costs (mainly comprising amortization charge of the toll bridge) of HK$39 million.

This group raised the issue of toll fee collection right with China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration. On 12 November 2012, CIETAC confirmed its acceptance to administer the above arbitration case and on 26 August 2013 finalized the composition of an arbitration tribunal. CIETAC has now fixed the commencement date of the arbitration hearing on 14 April 2014. The total toll revenue (after deduction of PRC business tax) accrued for but not recognized by HIL up to 31 December 2013 amounted to HK$572 million.

HIL may continue to report a loss from operations in the future financial periods, unless the arbitration proceedings result in a determination or the parties come to an agreement in each case satisfactory to HIL, or suitable investment that may be identified by HIL produces satisfactory income.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$6,854 million, a decrease of HK$858 million compared to 2012. Exclusive of its share of a revaluation surplus from investment properties and a one-off net gain, this group's profit after taxation for the year increased by HK$767 million to HK$6,680 million, an increase of 13% compared to 2012 mainly attributable to a rise in profit from this group's local businesses and mainland utility businesses.

During the year under review, this group invested HK$5,294 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

GAS BUSINESS IN HONG KONG

Total volume of gas sales in Hong Kong for the year increased slightly by approximately 0.7% to 28,556 million MJ, whereas appliance sales increased by approximately 3.3%. An increase in the standard gas tariff with effect from 1 April 2013 is offsetting some of its own rising operating costs. At the end of 2013, the number of customers was 1,798,731, an increase of 22,371 compared to 2012. Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, was substantially completed in 2013. Modification of associated stations and Ma Tau Kok plant's facilities is progressing to cope with the natural gas supply. Commissioning of the pipeline is expected in the third quarter of 2014. Construction of a 9 km pipeline in the western New Territories to strengthen supply capability and reliability is more than halfway complete. In tandem with the government's development of West Kowloon and South East Kowloon, network planning, design and construction in these locations are underway. The gas supply pipeline to the Kai Tak Cruise Terminal was commissioned in mid-2013. Construction of pipelines to supply a large housing development at Anderson Road in East Kowloon, which is now at the planning stage, has commenced. Construction of a new submarine pipeline from Ma Tau Kok to North Point is progressing well with commissioning expected in the coming year.

UTILITY BUSINESSES IN MAINLAND CHINA

At the end of December 2013, this group had an approximately 62.31% interest in Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China continued to record good growth in profit after taxation attributable to its shareholders, amounting to HK$1,106 million in 2013, an increase of approximately 32% over 2012. Towngas China acquired 14 new piped-gas projects in 2013 located in Zhengpugang Xin Qu Modern Industrial Zone, Maanshan city, in Fanchang county, Wuhu city and in Bozhou-Wuhu Modern Industrial Zone, Bozhou city all in Anhui province; in Cang county, in Mengcun Hui Autonomous County and in Yanshan county, all in Cangzhou city, and in Shijiazhuang Southern Industrial Zone all in Hebei province; in the Economic Development Zone, Boxing county, Binzhou city and in Shiheng town, Feicheng city both in Shandong province; in Mianzhu city, Sichuan province; in Dafeng city, Jiangsu province; in Fengxi district, Chaozhou city, Guangdong province; in Jianping county, Liaoning province; and Zhongwei piped city-gas project in Guangxi Zhuang Autonomous Region.

Hong Kong and China Gas group's city-gas businesses are progressing well with a total of 15 new projects added to its portfolio in 2013, including one located in economically vibrant Hangzhou city. At the end of 2013, inclusive of Towngas China, this group had a total of 119 city-gas projects in mainland cities spread across 20 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2013 was approximately 13,400 million cubic metres, an increase of 13% over 2012. At the end of 2013, this group's mainland gas customers stood at approximately 17.29 million, an increase of 17 % over 2012.

Its midstream natural gas projects include natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou city, Zhejiang province; natural gas extension projects in Jilin and Henan provinces; the Guangdong LNG Receiving Terminal project; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province.

This group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; a wholly-owned water supply project in Zhengpugang Xin Qu, Maanshan city, Anhui province; an integrated water supply and wastewater joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water supply project in the starting area of Jiangbei Concentration Zone, Wuhu city, Anhui province, acquired in December 2013.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Its development of emerging environmentally-friendly energy projects and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well.

ECO's two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas ("LPG") vehicular filling stations – are operating smoothly. Total turnover for the aviation fuel facility for 2013 was 5.56 million tonnes, providing a safe and reliable fuel supply to Hong Kong International Airport. Profit margins for the LPG refilling station business for 2013 were significantly higher than those of 2012.

ECO has started to reinforce its LNG supply capacity with unconventional gas resources such as coalbed gas and coke oven gas. ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly and its liquefied products' selling prices have risen significantly. ECO has recently endeavoured to speed up its negotiations with several coking plants to conclude long-term supply agreements of coke oven gas to be used for producing LNG through methanation and then liquefaction. Preparatory work for ECO's first project of this kind, located in Xuzhou city, Jiangsu province, has commenced; commissioning is expected in the first half of 2015. A similar project located in Jiexiu city, Shanxi province, is also expected to be concluded in the near future; construction will then start immediately.

When ECO extended its business into the mainland in 2008, its first project was the construction of a compressed natural gas refilling station for heavy-duty trucks in Shaanxi province. A network of ECO natural gas refilling stations has gradually taken shape in provinces including Shaanxi, Shandong, Shanxi, Henan and Liaoning. ECO is also now planning to provide LNG refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port of Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 25 refilling stations in operation, under planning or construction, and further expansion of this business into other provinces is actively in progress.

ECO has completed testing verification for upgrading plant fatty-acids (palm oil residue) to petrol or diesel and has applied for a patent for this technology. The company's first project in this field, with an annual capacity to upgrade 150,000 tonnes of plant fatty-acid and to be located in the Chemical Industrial Park of Zhangjiagang city, Jiangsu province, will be an important step forward in developing ECO's biomass energy business.

ECO's methanol production plant in Inner Mongolia finished trial production in late 2013 and has been running smoothly since commissioning. Methanol, a good chemical feedstock, can be further processed into the high value-added products of olefin and paraffin using cracking and polymerisation techniques. ECO's self-developed technology can upgrade methanol into high value-added products which can substitute for gasoline, and this has also led to the commencement of a new project in Inner Mongolia to upgrade methanol into 140,000 tonnes of high-quality gasoline substitute, an important milestone for ECO's methanol upgrading business. This project is expected to be commissioned before the end of 2014.

With regard to ECO's upstream resources business, the operation of the oilfield project in Thailand is relatively stable, now mainly focusing on stepping up exploration activities so as to optimise oil drilling plans. In contrast, coal mining businesses in Inner Mongolia have suffered as the decrease in demand for coal on the mainland has adversely impacted direct sales.

Overall, inclusive of projects Towngas China, this group had 173 projects on the mainland, as at the end of 2013, 23 more than at the end of 2012, spread across 22 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

PROPERTY DEVELOPMENTS

Leasing of the commercial area of the Grand Waterfront property development project located at Ma Tau Kok is good. It also has an approximately 15.8 % interest in the International Finance Centre complex, which also performed well.

FINANCING PROGRAMMES

This group established a medium term note programme in 2009 under HKCG (Finance) Limited and it had issued, as at 31 December 2013, medium term notes of an aggregate amount equivalent to HK$10,200 million with tenors ranging from 5 to 40 under this programme. In January 2014, this group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Securities"), amounting to US$300 million, through Towngas (Finance) Limited. These Perpetual Securities have a nominal interest rate of 4.75 % per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia, and thereafter will have a floating interest rate. With no fixed maturity, the Perpetual Securities are redeemable, at the option of this group, in January 2019 or thereafter every six months on the coupon payment date. The issuance of the Perpetual Securities, rated A3 and A- by international rating agencies Moody's Investors Service and Standard and Poor's Rating Services respectively, received an overwhelming response with six times subscription. The Perpetual Securities, guaranteed by this company, were listed on The Stock Exchange of Hong Kong Limited on 29 January 2014.

***Hong Kong Ferry (Holdings) Company Limited* (*"Hong Kong Ferry"*)**

Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2013 amounted to approximately HK$293 million, a decrease of 26% as compared with the profit after taxation of HK$397 million (restated) last year. During the year under review, profit for this group was mainly derived from the sale of the residential units of Shining Heights and The Spectacle, rental income, surplus from revaluation of investment properties and gain from sale of securities investment. As disclosed in its announcement published on 2 January 2014, the occupation permit of Green Code at No.1 Ma Sik Road, Fanling was not obtained by 31 December 2013 due to delay in the progress of construction, and needed to be postponed to 2014. Accordingly, the relevant sale revenue has not been recognised in its consolidated profit and loss account for the financial year of 2013.

During the year under review, its rental and other income from commercial arcades and sale proceeds of properties amounted to a total of approximately HK$121 million. The commercial arcades of Metro Harbour View and Shining Heights were fully let whereas the occupancy rate of the commercial portion of The Spectacle at the year end was about 60%.

During the year, the sale of its Green Code project proceeded satisfactorily with firm prices. A total of 691 units was sold up to the year end date, representing 95% of the saleable units.

The structure of Hung Hom Inland Lot No. 555 at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom has been built up to the sixth floor. The residential-cum-commercial tower will provide a total gross floor area of approximately 56,000 sq. ft. and comprise 95 residential units.

Foundation works of the property at 208 Tung Chau Street have been completed. As disclosed in its announcement published on 16 May 2013, the progress of the project may be delayed due to a case of the Court of Final Appeal of Hong Kong regarding the meaning of the word "house" under the Government lease. It is still liaising with the relevant government authorities on clarification of the term and will make further announcements and keep its shareholders informed of further developments as and when necessary.

The Ferry, Shipyard and related operations achieved an increase of 21% in operating profit to HK$34 million as compared with last year. The increase was mainly due to the sale of two oil barges during the year. Due to the occurrence of avian flu in China and the anti-government protests in Thailand during the year, the operating results of Travel operations regressed to a deficit of HK$3.3 million this year. It also recorded a surplus of HK$104 million on disposal of certain securities investments in 2013.

This group plans to continue to sell the remaining units of "Green Code" and launch the sale of Hung Hom Bulkeley Street property this year. Green Code will bring promising sales return to this group if the occupation permit can be procured on time.

Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's turnover rose by 2% to approximately HK$3,044 million for the financial year ended 31 December 2013 when compared to the last corresponding period. Profit attributable to shareholders decreased by 7% to approximately HK$1,278 million. Excluding the net increase in the fair value of its investment properties, underlying profit attributable to shareholders grew by 7% to approximately HK$478 million.

Its four core business units (Hotel and Serviced Apartment, Property Rental, Food and Beverage, and Travel) all performed satisfactorily during the year.

Hotel and Serviced Apartment business experienced a slight decline in average daily rate (ADR) and a slight reduction in EBITDA (earnings before interest, tax, depreciation and amortization) to approximately HK$223.8 million. The highlight of the year was the opening on 1 November of Mira Moon, a unique 91-room boutique hotel located in Wan Chai. Miramar is planning the launch of a third Mira brand hotel.

Miramar's portfolio of commercial properties in Hong Kong and mainland China achieved growth in revenues of 7% and EBITDA of 8% in 2013. Its landmark properties in Tsim Sha Tsui include two shopping malls and an office tower. Miramar Shopping Centre (MSC) and Mira Mall remained resilient. Occupancy rate for MSC remained at 97% during 2013, while an increase in average rental unit rate of 6% over last year was achieved. Miramar Tower experienced a slight decline in occupancy rate to 95%, while the average rental unit rate increased by 19%.

Food and Beverage business achieved progress in the past year with revenue up by 12% and losses reduced. During the year, a Tsui Hang Village Cantonese restaurant was opened in Causeway Bay, the third in this popular chain. French Window Brasserie and Bar was re-launched at ifc Mall, and Yunyan Sichuan restaurant was relocated to Times Square under a new identity as Yun Yan. School Food, a restaurant chain specializing in Korean snack food, was also opened in Times Square.

Travel Business achieved revenue growth of 9% to approximately HK$1,220.9 million and EBITDA of approximately HK$56.6 million.

In light of increasing losses of its Apparel business, Miramar decided to discontinue this business at the natural expiry of distribution contract terms in December 2013.

Corporate Finance

The Group has always adhered to prudent financial management principles, as evidenced by its gearing ratio which stood at 17.2% at 31 December 2013 (2012: 17.2%).

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past few years, the Group has concluded Hong Kong dollar interest rate swap contracts for terms ranging from three to fifteen years. Such contracts were entered into for the purpose of converting part of the Group's borrowings from floating interest rates into Hong Kong dollar fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

International Finance Centre project, which is owned by a joint venture of the Group, made an approach to the rated bond market which resulted in the successful conclusion of a Guaranteed Notes issuance transaction in May 2013 for a total amount of US$500 million. This issue was rated A2 (Stable) by Moody's Investors Service and A (Stable) by Standard & Poor's Rating Services. At a coupon rate of 2.375% with a tenor of six years, the pricing for this transaction was concluded at a low level relative to the interest rate levels prevailing for comparable public bonds issued top credit-rated companies in Hong Kong.

Shortly after the end of the financial year, the Group concluded a HK$13,800 million 4-year and 5-year term loan / revolving credit facility on 6 January 2014 with a consortium of 19 leading international banks and local financial institutions. It is the largest syndicated credit facility that has ever been concluded by the Group, reflecting the continuing support and trust of the banking community in the Group.

Prospects

Taking the helm in early 2014, the new chief of the Federal Reserve of the United States supported the tapering of the quantitative easing programme. At the same time, she reiterated that the federal funds rates would remain low for a considerable time unless there was a change in the economic outlook based on the labour market and general price level. The current low interest rate environment in Hong Kong should continue to underpin housing demand from end-users.

As regards "**property sales**", in addition to the aforesaid "Double Cove Starview", the Group plans to embark on sales launches of Double Cove – Phase 3 and an array of urban residential developments this year. Together with the unsold stocks, a total of over 3,800 residential units in Hong Kong will be available for sale in 2014.

The Group has a land reserve in the New Territories of about 42.5 million square feet, the largest holding among its peers in Hong Kong. As the earnest development of the New Territories as well as "Introduction of a Pilot Scheme for Arbitration on Land Premium" were both issues committed to by the Government in its Policy Address, land-use conversion may hopefully be expedited. Besides, the Group has been active in acquiring old tenement buildings in urban areas so as to expand its development land bank. Many of these redevelopment projects have been put up for sale and will be completed successively. For the current year and over the next three years, nearly 7.0 million square feet in total attributable gross floor area is expected to be available for sale or leasing. Details for these development projects are summarized in the above categories (1) to (6).

Turning to mainland China, the Third Plenary Session held late last year re-defined the policies on the mainland property sector, clearly focusing on the market mechanism and emphasizing comprehensive and deepening reforms in the long-term. The control measures for prime cities will continue to be strengthened, with the restrictions on home purchases, housing mortgage loans and other related measures unlikely to be withdrawn in the near future. However, there may be hopes of second and third tier cities seeing a gradual relaxation. It is anticipated that the overall economy of China will continue to grow and the demand from end-user home purchases will continue. The Group will actively seek to expand its land bank in the mainland, targeting projects for first time home buyers and upgraders. Apart from developing properties on its own, the Group will continue looking for new joint-venture projects with local property developers.

In the Group's Hong Kong land bank, properties under development accounted for 13.7 million square feet. Inclusive of about 0.8 million square feet of major completed stock, the total attributable gross floor area amounted to approximately 14.5 million square feet. Upon successive completion of these projects, assuming sale can be achieved at HK$10,000 per square foot, together with the completed stock, there would be an accumulative total sales value of HK$145 billion. These projects, about one half of which is located in the prime urban areas with relatively low costs, serve as an important pillar to support the Group's revenue growth for the coming years.

As regards "**rental business**", the Group held a total attributable gross floor area of over 10.0 million square feet in completed investment properties and hotels in Hong Kong. Given the prevailing tight supply of office space, as well as the influx of inbound tourists to the shopping malls, continuous growth is expected in local rental income. Mainland rental income also grew consecutively. The scheduled completion of "Henderson 688" in Shanghai in 2014 will expand the Group's mainland rental portfolio by about 0.7 million square feet to 7.3 million square feet in gross floor area. In 2013, the Group's pre-tax net rental income continued to record a double-digit growth to HK$5,605 million. With a continually expanding rental portfolio and an optimized tenant mix, the Group's rental income is set to rise further, serving as another key stable income pillar of the Group.

The Group's "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, provide a solid basis for the Group's sustainable growth in recurrent income. Hong Kong and China Gas, in particular, makes the most significant profit contribution. Inclusive of projects of its subsidiary, Towngas China, this group currently has 173 projects on the mainland, spread across 22 provinces, autonomous regions and municipalities. For its piped-gas business, it has a total of over 19.0 million gas customers in Hong Kong and mainland China. The sizeable customer base amid an expanding business coverage ensures a promising return from this group. Together, they serve as another pillar to support the Group's sustainable earnings growth.

The above three major income pillars, as well as a strong balance sheet with a low gearing, enable the Group to create value for shareholders over the long haul. In the absence of unforeseen circumstances, the Group's performance in the coming financial year will be satisfactory.

Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their wise counsel, and to thank all our staff for their dedication and hard work.

Lee Shau Kee
Chairman

Hong Kong, 20 March 2014

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2013

	Note	***2013*** **HK$ million**	*2012* (restated) HK$ million
Turnover	3	**23,289**	15,592
Direct costs		**(14,508)**	(8,167)
		8,781	7,425
Other revenue	4	**522**	584
Other net income	5	**8**	23
Selling and marketing expenses		**(1,255)**	(882)
Administrative expenses		**(1,931)**	(1,851)
Profit from operations before changes in fair value of investment properties and investment properties under development		**6,125**	5,299
Increase in fair value of investment properties and investment properties under development	6	**6,345**	8,813
Profit from operations after changes in fair value of investment properties and investment properties under development		**12,470**	14,112
Finance costs	7(a)	**(957)**	(1,239)
Share of profits less losses of associates		**3,669**	4,041
Share of profits less losses of joint ventures		**2,613**	4,416
Profit before taxation	7	**17,795**	21,330
Income tax	8	**(1,739)**	(1,005)
Profit for the year		**16,056**	20,325

Consolidated Statement of Profit or Loss
for the year ended 31 December 2013 (continued)

	Note	***2013*** **HK$ million**	*2012* (restated) HK$ million
Attributable to:			
Equity shareholders of the Company		**15,948**	20,201
Non-controlling interests		**108**	124
Profit for the year		**16,056**	20,325
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	10(a)	***HK$5.97***	*HK$7.70**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	10(b)	***HK$3.35***	*HK$2.70**

** Adjusted for the bonus issue in 2013.*

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2013

	Note	***2013*** **HK$ million**	*2012* (restated) HK$ million
Profit for the year		**16,056**	20,325
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that will not be reclassified to profit or loss:			
- Share of other comprehensive income of associates and joint ventures		**45**	(17)
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences: net movement in the exchange reserve		**1,491**	(29)
- Cash flow hedges: net movement in the hedging reserve		**1,214**	(424)
- Available-for-sale equity securities: net movement in the fair value reserve		**(151)**	386
- Share of other comprehensive income of associates and joint ventures		**335**	176
Other comprehensive income for the year		**2,934**	92
Total comprehensive income for the year		**18,990**	20,417
Attributable to:			
Equity shareholders of the Company		**18,863**	20,295
Non-controlling interests		**127**	122
Total comprehensive income for the year		**18,990**	20,417

Consolidated Balance Sheets
At 31 December 2013

	Note	***At 31 December 2013*** **HK$ million**	*At 31 December 2012* (restated) HK$ million	*At 1 January 2012* (restated) HK$ million
Non-current assets				
Fixed assets		**108,872**	101,072	92,771
Intangible operating right		**394**	415	454
Interest in associates		**48,108**	42,403	40,092
Interest in joint ventures		**31,046**	29,588	23,722
Derivative financial instruments		**409**	595	620
Other financial assets		**5,614**	4,379	3,617
Deferred tax assets		**523**	804	673
		194,966	179,256	161,949
Current assets				
Deposits for acquisition of properties		**5,604**	5,645	8,433
Inventories		**80,233**	76,403	68,204
Trade and other receivables	12	**7,453**	5,814	4,495
Cash held by stakeholders		**1,943**	1,852	514
Cash and cash equivalents		**13,915**	12,538	18,850
		109,148	102,252	100,496
Current liabilities				
Trade and other payables	13	**15,890**	15,265	9,030
Bank loans and overdrafts		**5,514**	2,826	19,699
Guaranteed notes		**1,904**	-	-
Amount due to a fellow subsidiary		**1,261**	546	-
Tax payable		**850**	858	798
		25,419	19,495	29,527
Net current assets		**83,729**	82,757	70,969
Total assets less current liabilities		**278,695**	262,013	232,918

Consolidated Balance Sheet

At 31 December 2013 (continued)

	Note	***At 31 December 2013*** **HK$ million**	*At 31 December 2012* (restated) HK$ million	*At 1 January 2012* (restated) HK$ million
Non-current liabilities				
Bank loans		**23,058**	20,491	16,581
Guaranteed notes		**16,309**	18,301	10,877
Amount due to a fellow subsidiary		**4,213**	5,579	8,583
Derivative financial instruments		**959**	2,378	1,895
Deferred tax liabilities		**6,156**	5,412	5,082
		50,695	52,161	43,018
NET ASSETS		**228,000**	209,852	189,900
CAPITAL AND RESERVES				
Share capital		**5,398**	4,830	4,738
Reserves		**218,004**	200,333	180,573
Total equity attributable to equity shareholders of the Company		**223,402**	205,163	185,311
Non-controlling interests		**4,598**	4,689	4,589
TOTAL EQUITY		**228,000**	209,852	189,900

Notes:

1 Basis of preparation

The final results set out in this announcement do not constitute the Group's statutory accounts for the year ended 31 December 2013 but are extracted from those accounts.

The statutory accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, 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. The statutory accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the statutory accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments classified as available-for-sale equity securities;
- derivative financial instruments; and
- investment properties and investment properties under development.

2 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's accounts for the year ended 31 December 2013:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

  The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these accounts has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these accounts.

2 Changes in accounting policies (continued)

- HKFRS 10, *Consolidated financial statements*

  HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

- HKFRS 11, *Joint arrangements*

  HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated accounts. Proportionate consolidation is no longer allowed as an accounting policy choice. As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interest in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

- HKFRS 12, *Disclosure of interests in other entities*

  HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

- HKFRS 13, *Fair value measurement*

  HKFRS 13 replaces the existing guidance in individual HKFRSs with a single source of fair value measurement guidance, and also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 Changes in accounting policies (continued)

- Revised HKAS 19 , *Employee benefits*

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the Group's certain associates have changed their accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported	Effect of adopting revised HKAS 19	As restated
	HK$ million	HK$ million	HK$ million
Consolidated statement of profit or loss for the year ended 31 December 2012:			
Share of profits less losses of associates	**4,048**	**(7)**	**4,041**
Profit for the year	**20,332**	**(7)**	**20,325**
Profit for the year attributable to equity shareholders of the Company	**20,208**	**(7)**	**20,201**
Total comprehensive income for the year	**20,441**	**(24)**	**20,417**
Total comprehensive income for the year attributable to equity shareholders of the Company	**20,319**	**(24)**	**20,295**
Consolidated balance sheet at 31 December 2012:			
Interest in associates	**42,452**	**(49)**	**42,403**
Total non-current assets	**179,305**	**(49)**	**179,256**
Retained profits	**150,642**	**(49)**	**150,593**
Net assets/Total equity	**209,901**	**(49)**	**209,852**
Consolidated balance sheet at 1 January 2012:			
Interest in associates	**40,117**	**(25)**	**40,092**
Total non-current assets	**161,974**	**(25)**	**161,949**
Retained profits	**132,869**	**(25)**	**132,844**
Net assets/Total equity	**189,925**	**(25)**	**189,900**

This change in accounting policy did not have a material impact on current or deferred taxation, and earnings per share.

2 Changes in accounting policies (continued)

- Annual improvements to HKFRSs 2009-2011 cycle

  This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such balance sheet is presented. Since the Group considers that the restatement resulting from the adoption of revised HKAS 19 has a material impact on the opening balance, an additional balance sheet as at 1 January 2012 has been presented in these accounts.

In respect of the other developments, none of them has material impact on these accounts.

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these accounts. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 32	*Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 39	*Novation of derivatives and continuation of hedge accounting*	1 January 2014
HKFRS 9	*Financial instruments*	To be announced by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the accounts.

3 Turnover

Turnover of the Group represents revenue from the sale of properties, rental income, income from construction, infrastructure business, hotel operation and management, department store operation and management, and others mainly including income from provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2013	*2012*
	HK$ million	HK$ million
Sale of properties	**15,743**	8,708
Rental income	**4,994**	4,494
Construction	**1,290**	761
Infrastructure	**-**	63
Hotel operation	**194**	240
Department store operation	**399**	373
Others	**669**	953
Total (note 11(b))	**23,289**	15,592

4 Other revenue

	2013	*2012*
	HK$ million	HK$ million
Bank interest income	**308**	235
Other interest income (note)	**57**	260
Others	**157**	89
	522	584

Note: Other interest income for the years ended 31 December 2013 and 2012 included overdue interest income (before tax) of HK$47 million and HK$247 million received by the Group during the abovementioned years, respectively, in relation to a refund of land deposits to the Group during the year ended 31 December 2012.

5 Other net income

	2013	*2012*
	HK$ million	HK$ million
Gain on disposal of subsidiaries	**667**	187
Net gain/(loss) on disposal of fixed assets	**2**	(6)
Fixed assets written off	**(51)**	-
Net gain on disposal of available-for-sale equity securities	**163**	109
Impairment loss on available-for-sale equity securities	**(344)**	-
Impairment loss on trade debtors (notes 11(c))	**(2)**	-
Bad debts reversed/(written off)	**1**	(1)
Provision on inventories, net	**(304)**	(36)
Net foreign exchange loss	**(83)**	(168)
Others	**(41)**	(62)
	8	23

6 Increase in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 31 December 2013 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value gain of HK$6,345 million (2012: HK$8,813 million) and deferred tax thereon of HK$495 million (2012: HK$198 million) have been recognised in the consolidated statement of profit or loss for the year.

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2013	*2012*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank interest	**763**	1,059
	Interest on loans wholly repayable within five years	**870**	671
	Interest on loans repayable after five years	**353**	410
	Other borrowing costs	**193**	194
		2,179	2,334
	Less: Amount capitalised (note)	**(1,222)**	(1,095)
		957	1,239

Note: The borrowing costs have been capitalised at rates ranging from 4.12% to 6.47% (2012: 3.86% to 6.78%) per annum.

7 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

		2013	*2012*
		HK$ million	HK$ million
(b)	**Directors' remuneration**	**165**	164
(c)	**Staff costs (other than directors' remuneration):**		
	Salaries, wages and other benefits	**1,692**	1,605
	Contributions to defined contribution retirement plans	**76**	73
		1,768	1,678
(d)	**Other items:**		
	Depreciation	**171**	181
	Less: Amount capitalised	**(5)**	(9)
		166	172
	Net foreign exchange (gain)/loss	**(95)**	128
	Cash flow hedges: net foreign exchange loss reclassified from equity	**181**	40
		86	168
	Amortisation of intangible operating right	**31**	39
	Cost of sales		
	— completed properties for sale	**11,286**	5,455
	— trading stocks	**328**	296
	Auditors' remuneration	**21**	20
	Operating lease charges: minimum lease payments in respect of leasing of building facilities	**214**	170
	Rentals receivable from investment properties less direct outgoings of HK$1,170 million (2012: HK$1,193 million) (note)	**(3,338)**	(2,780)
	Other rental income less direct outgoings	**(332)**	(327)
	Dividend income from investments in available-for-sale equity securities		
	— listed	**(84)**	(74)
	— unlisted	**(10)**	(225)

Note: Included contingent rental income of HK$214 million (2012: HK$225 million).

8 Income tax

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

	2013	*2012*
	HK$ million	HK$ million
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	**657**	516
Under-provision in respect of prior years	**19**	1
	676	517
Current tax - Provision for taxation outside Hong Kong		
Provision for the year	**354**	191
Over-provision in respect of prior years	**(4)**	(14)
	350	177
Current tax - Provision for Land Appreciation Tax		
Provision for the year	**39**	61
Over-provision in respect of prior years	**-**	(2)
	39	59
Deferred tax		
Origination and reversal of temporary differences	**674**	252
	674	252
	1,739	1,005

Provision for Hong Kong Profits Tax has been made at 16.5% (2012: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012/13 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2013	*2012*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.32 (2012: HK$0.32) per share	**859**	768
Final dividend proposed after the balance sheet date of HK$0.74 (2012: HK$0.74) per share	**1,997**	1,787
	2,856	2,555

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

	2013	*2012*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.74 (2012: HK$0.7) per share	**1,787**	1,658

10 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$15,948 million (2012 (restated): HK$20,201 million) and the weighted average number of 2,672 million ordinary shares in issue during the year (2012: 2,625 million ordinary shares*), calculated as follows:

	2013	*2012*
	million	million
Number of issued ordinary shares at 1 January	**2,415**	2,369
Weighted average number of ordinary shares issued in respect of scrip dividends	**16**	17
Weighted average number of ordinary shares issued in respect of the bonus issue	**241**	239
Weighted average number of ordinary shares for the year and at 31 December (2012: as adjusted)	**2,672**	2,625

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2012 as there were no dilutive potential ordinary shares in existence during the two years.

** Adjusted for the bonus issue in 2013.*

10 Earnings per share (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company of HK$8,938 million (2012 (restated): HK$7,091 million), excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) during the year. A reconciliation of profit is as follows:

	2013	*2012*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company (2012 – restated)	**15,948**	20,201
Effect of changes in fair value of investment properties and investment properties under development	**(6,345)**	(8,813)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development	**495**	198
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(552)**	(1,243)
– joint ventures	**(628)**	(3,310)
Effect of share of non-controlling interests	**20**	58
Underlying profit attributable to equity shareholders of the Company (2012 – restated)	**8,938**	7,091
Underlying earnings per share	**HK$3.35**	HK$2.70*

* *Adjusted for the bonus issue in 2013.*

11 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Construction	:	Construction of building works
Infrastructure	:	Investment in infrastructure projects
Hotel operation	:	Hotel operation and management
Department store operation	:	Department store operation and management
Others	:	Provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, provision/(reversal of provision) on inventories, fair value adjustment of investment properties and investment properties under development, finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses.

11 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

2013

	Property development HK$ million	Property leasing HK$ million (note (iii))	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
External revenue	15,743	4,994	1,290	-	194	399	669	-	23,289
Inter-segment revenue	-	258	2,785	-	-	-	66	(3,109)	-
Reportable segment revenue	15,743	5,252	4,075	-	194	399	735	(3,109)	23,289
Reportable segment results	2,952	3,670	(26)	(41)	57	79	134		6,825
Bank interest income									308
Provision on inventories, net	(304)	-	-	-	-	-	-		(304)
Unallocated head office and corporate expenses, net									(704)
Profit from operations									6,125
Increase in fair value of investment properties and investment properties under development									6,345
Finance costs									(957)
									11,513
Share of profits less losses of associates (note (i))									
- Listed associates									
The Hong Kong and China Gas Company Limited	-	268	-	-	18	-	2,477		2,763
Miramar Hotel and Investment Company, Limited	(1)	583	-	-	58	-	(24)		616
Hong Kong Ferry (Holdings) Company Limited	7	39	-	-	-	-	109		155
- Unlisted associates	-	121	-	-	-	-	14		135
	6	1,011	-	-	76	-	2,576		3,669
Share of profits less losses of joint ventures (note (ii))	819	1,638	-	-	115	-	41		2,613
Profit before taxation									17,795
Income tax									(1,739)
Profit for the year									16,056

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

2012

	Property development HK$ million	Property leasing HK$ million (note (iii))	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
External revenue	8,708	4,494	761	63	240	373	953	-	15,592
Inter-segment revenue	-	231	2,045	-	-	-	68	(2,344)	-
Reportable segment revenue	8,708	4,725	2,806	63	240	373	1,021	(2,344)	15,592
Reportable segment results	2,306	3,107	(50)	9	94	67	818		6,351
Bank interest income									235
Provision on inventories, net	(36)	-	-	-	-	-	-		(36)
Unallocated head office and corporate expenses, net									(1,251)
Profit from operations									5,299
Increase in fair value of investment properties and investment properties under development									8,813
Finance costs									(1,239)
									12,873
Share of profits less losses of associates (restated) (note (i))									
- Listed associates									
The Hong Kong and China Gas Company Limited (restated)	-	728	-	-	18	-	2,329		3,075
Miramar Hotel and Investment Company, Limited	-	625	-	-	59	-	(79)		605
Hong Kong Ferry (Holdings) Company Limited (restated)	32	74	-	-	-	-	14		120
- Unlisted associates	-	242	-	-	-	-	(1)		241
	32	1,669	-	-	77	-	2,263		4,041
Share of profits less losses of joint ventures (note (ii))	46	4,253	-	-	117	-	-		4,416
Profit before taxation (restated)									21,330
Income tax									(1,005)
Profit for the year (restated)									20,325

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$1,011 million (2012: HK$1,669 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$552 million (2012: HK$1,243 million).

(ii) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$1,638 million (2012: HK$4,253 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$628 million (2012: HK$3,310 million).

(iii) Turnover for the property leasing segment comprises rental income of HK$4,442 million (2012: HK$3,983 million) and rental-related income of HK$552 million (2012: HK$511 million), which in aggregate amounted to HK$4,994 million for the year ended 31 December 2013 (2012: HK$4,494 million).

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's fixed assets, intangible operating right, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of the intangible operating right, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2013	*2012*	***2013***	*2012* (restated)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**16,779**	12,377	**151,497**	142,859
Mainland China	**6,510**	3,215	**36,910**	30,619
	23,289	15,592	**188,407**	173,478
	(note 3)	(note 3)		

11 Segment reporting (continued)

(c) Other segment information

	Amortisation and depreciation		Impairment loss on trade debtors	
	For the year ended 31 December		For the year ended 31 December	
	2013	*2012*	***2013***	*2012*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**18**	8	**-**	-
Property leasing	**23**	22	**1**	-
Construction	**41**	52	**-**	-
Infrastructure	**32**	40	**-**	-
Hotel operation	**41**	46	**-**	-
Department store operation	**4**	3	**-**	-
Others	**38**	40	**1**	-
	197	211	**2**	-

12 Trade and other receivables

	2013	*2012*
	HK$ million	HK$ million
Instalments receivable	**1,809**	1,570
Debtors, prepayments and deposits	**5,042**	3,922
Gross amount due from customers for contract work	**109**	82
Derivative financial instruments	**38**	-
Amounts due from associates	**415**	230
Amounts due from joint ventures	**40**	10
	7,453	5,814

(i) All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits and other receivables of HK$322 million (2012: HK$317 million) which are expected to be recovered after more than one year.

12 Trade and other receivables (continued)

(ii) At the balance sheet date, the ageing analysis of trade debtors (which are included in trade and other receivables) net of allowance for doubtful debts, is as follows:

	2013	*2012*
	HK$ million	HK$ million
Current or under 1 month overdue	**2,419**	1,826
More than 1 month overdue and up to 3 months overdue	**108**	114
More than 3 months overdue and up to 6 months overdue	**23**	16
More than 6 months overdue	**78**	55
	2,628	2,011

(iii) At 31 December 2013, the Group did not recognised any toll income receivable from Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a 60% owned subsidiary of the Group which is engaged in the operation of a toll bridge in Hangzhou, mainland China. The toll income is collected on behalf of the Group by 杭州市城市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou, mainland China to record the traffic flow and make payment of the toll fee of the toll bridge, pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Group and the Hangzhou Toll Office. On 20 March 2012, the Joint Venture Company received a letter dated 18 March 2012 from the Hangzhou Toll Office which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the toll bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of the toll bridge.

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the Group did not recognise in the accounts the toll revenue (after deduction of business tax) during the period from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Joint Venture Company) to 31 December 2013 of RMB462 million, or equivalent to HK$572 million. Accordingly, the Group did not recognise any toll income receivable from the toll bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2013.

Besides, in order to protect the interest of the Group, the Group had, in accordance with the terms of the Collection Agreement, filed an arbitration application with China International Economic and Trade Arbitration Commission ("CIETAC", 中國國際經濟貿易仲裁委員會) on 17 September 2012 against the Hangzhou Toll Office and Hangzhou Municipal People's Government for an arbitration award that, inter alia, they should continue to perform their obligations under the Collection Agreement by paying toll fees of the toll bridge to the Joint Venture Company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred. CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case.

12 Trade and other receivables (continued)

(iv) Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

(v) The amounts due from associates and joint ventures are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

13 Trade and other payables

	2013 **HK$ million**	*2012* HK$ million
Creditors and accrued expenses	**7,870**	6,033
Gross amount due to customers for contract work	**27**	271
Rental and other deposits	**1,198**	1,230
Forward sales deposits received	**6,429**	7,562
Derivative financial instruments	**39**	40
Amounts due to associates	**53**	83
Amounts due to joint ventures	**274**	46
	15,890	15,265

(i) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$715 million (2012: HK$658 million) which is expected to be settled after more than one year.

13 Trade and other payables (continued)

(ii) At the balance sheet date, the ageing analysis of trade creditors (which are included in trade and other payables) is as follows:

	2013	*2012*
	HK$ million	HK$ million
Due within 1 month or on demand	**1,965**	1,775
Due after 1 month but within 3 months	**1,475**	1,000
Due after 3 months but within 6 months	**284**	187
Due after 6 months	**2,250**	1,264
	5,974	4,226

(iii) The amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment.

14 Review of results

The financial results for the year ended 31 December 2013 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated accounts for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the year ended 31 December 2013.

Turnover and profit

	Turnover			***Contribution / (Loss) from operations***		
	Year ended 31 December		*Increase/*	***Year ended 31 December***		*Increase/*
	2013	2012	*(Decrease)*	**2013**	2012	*(Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**15,743**	8,708	*+81%*	**2,952**	2,306	*+28%*
- Property leasing	**4,994**	4,494	*+11%*	**3,670**	3,107	*+18%*
- Construction	**1,290**	761	*+70%*	**(26)**	(50)	*+48%*
- Infrastructure	**0**	63	*-100%*	**(41)**	9	*-556%*
- Hotel operation	**194**	240	*-19%*	**57**	94	*-39%*
- Department store operation	**399**	373	*+7%*	**79**	67	*+18%*
- Other businesses	**669**	953	*-30%*	**134**	818	*-84%*
	23,289	15,592	*+49%*	**6,825**	6,351	*+7%*

	Year ended 31 December		
	2013	2012 (restated)	Increase/ *(Decrease)*
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**15,948**	20,201	*-21%*
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**8,938**	7,091	*+26%*

Excluding the effects of certain one-off items from the underlying profit attributable to shareholders for the years ended 31 December 2013 and 2012, the adjusted underlying profit attributable to shareholders for the two financial years is as follows :-

	Year ended 31 December			
	2013	2012	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying profit attributable to shareholders (2012 – restated)	**8,938**	7,091	*1,847*	*+26%*
Less :				
One-off income items -				
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	**35**	221	*(186)*	
Dividend income received from the Group's investment in a property development project in Hong Kong	**-**	215	*(215)*	
The Group's attributable share of an aggregate net one-off gain from The Hong Kong and China Gas Company Limited ("HKCG"), an associate of the Group	**-**	128	*(128)*	
Gain on disposal of subsidiaries	**667**	187	*480*	
Gain on bargain purchase arising from the acquisition of additional interests in Hong Kong Ferry (Holdings) Company Limited ("HK Ferry") and Miramar Hotel and Investment Company, Limited ("Miramar")	**158**	-	*158*	
Add :				
One-off expense item –				
Impairment loss in relation to an investment in available-for-sale equity securities	**344**	-	*344*	
Adjusted underlying profit attributable to shareholders	**8,422**	6,340	*2,082*	*+33%*

Discussions on the major reportable segments are set out below.

Property development

The gross revenue from property sales during the years ended 31 December 2013 and 2012 generated by the Group's subsidiaries, and by geographical contribution, is as follows :-

	Year ended 31 December			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**10,570**	6,784	*3,786*	*+56%*
Mainland China	**5,173**	1,924	*3,249*	*+169%*
	15,743	8,708	*7,035*	*+81%*

The increase in revenue contribution from property sales in Hong Kong is mainly attributable to the turnover contribution from the sales of property units of "Double Cove" Phase 1 and "The Reach" in the aggregate amount of HK$9,365 million for the reason that the occupation permits of these two projects were issued during the year ended 31 December 2013, which effect is nevertheless being partially offset by the decrease in turnover contribution from other projects sold in the previous year.

The significant increase in revenue contribution from property sales in mainland China is attributable to the sales and delivery to buyers of property units sold in four projects which were completed during the year ended 31 December 2013, namely "Emerald Valley" Phase 1 in Nanjing, "Xuzhou Lakeview Development" Phase 1A in Xuzhou, "Treasure Garden" Phase 1 in Nanjing and "Grand Lakeview" Phase 1A in Yixing, which altogether contributed additional turnover in the amount of HK$4,002 million for the year.

The Group's share of pre-tax profits from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2013 and 2012 is as follows :-

	Year ended 31 December			
	2013	2012	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution :				
Hong Kong	**3,503**	2,211	*1,292*	*+58%*
Mainland China	**408**	80	*328*	*+410%*
	3,911	2,291	*1,620*	*+71%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures :				
Subsidiaries	**2,810**	2,176	*634*	*+29%*
Associates	**18**	36	*(18)*	*-50%*
Joint ventures	**1,083**	79	*1,004*	*+1,271%*
	3,911	2,291	*1,620*	*+71%*

The Group's share of pre-tax profit from associates is mainly generated from the sales of property units of "Shining Heights" and "The Spectacle", all being completed property projects held by HK Ferry. The Group's share of pre-tax profit from joint ventures is mainly generated from the sales of property units of "La Botanica" in Xian, mainland China and "Global Trade Square" in Hong Kong, in each of which the Group has a 50% equity interest.

Property leasing

The gross revenue from property leasing during the years ended 31 December 2013 and 2012 generated by the Group's subsidiaries, and by geographical contribution, is as follows :-

	Year ended 31 December			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**3,691**	3,332	*359*	*+11%*
Mainland China	**1,303**	1,162	*141*	*+12%*
	4,994	4,494	*500*	*+11%*

The Group's share of pre-tax net rental income from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2013 and 2012 is as follows :-

	Year ended 31 December			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution :				
Hong Kong	**4,534**	4,031	*503*	*+12%*
Mainland China	**1,071**	867	*204*	*+24%*
	5,605	4,898	*707*	*+14%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures :-				
Subsidiaries	**3,665**	3,101	*564*	*+18%*
Associates	**610**	563	*47*	*+8%*
Joint ventures	**1,330**	1,234	*96*	*+8%*
	5,605	4,898	*707*	*+14%*

The increase in gross revenue and pre-tax net rental income in Hong Kong is mainly attributable to the year-on-year increase in average rentals in relation to the portfolio of investment properties in Hong Kong during the year ended 31 December 2013. The increase in gross revenue and pre-tax net rental income in mainland China is mainly attributable to year-on-year improvement in the average occupancies and rentals of "World Finance Centre" and "Henderson Centre" in Beijing as well as "Greentech Tower" in Shanghai during the year ended 31 December 2013.

Construction

The increase in turnover and the decrease in loss from operations for the year ended 31 December 2013, compared with those for the corresponding year ended 31 December 2012, are mainly attributable to the following :-

(i) the increased turnover contribution in the aggregate amount of HK$577 million during the year arising from the construction contracts undertaken for the Group's two development projects, namely Phases 1, 2 and 3 of "Double Cove" and "The Reach", and for HK Ferry's development project, namely "Green Code";

(ii) the decrease in the depreciation charge on construction plant and machinery of HK$14 million during the year for the reason that certain construction plant and machinery have become fully depreciated during the year in accordance with the Group's accounting policies; and

(iii) the savings in operating and administrative expenses by HK$5 million during the year.

Infrastructure

The Group's infrastructure business represents the operation of a toll bridge in Hangzhou, mainland China, which is held by Henderson Investment Limited ("HIL"), a subsidiary of the Company.

Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right of the toll bridge, for the sake of prudence, the toll revenue commencing from 20 March 2012 (including the toll revenue for the year ended 31 December 2013) has not been recognised in the Group's accounts. Hence, the turnover contribution for the year ended 31 December 2013 was nil as compared to HK$63 million (being the toll revenue, net of mainland China business tax, for the period from 1 January 2012 to 19 March 2012) for the corresponding year ended 31 December 2012.

Notwithstanding the provisional suspension in the payment of toll revenue to the Group during the year ended 31 December 2013, the toll revenue generated by the toll bridge held by HIL during the year ended 31 December 2013 amounted to HK$318 million (2012 : HK$317 million), representing an increase of HK$1 million or 0.3% over that for the corresponding year ended 31 December 2012. The average daily traffic volume of the toll bridge during the year ended 31 December 2013 was 77,376 vehicles (2012 : 77,615), representing a year-on-year decrease of 0.3% for the reason that the monthly traffic volume of the toll bridge recorded a month-on-month decrease of between 2% and 4% during the second half of 2013, due to (i) the record high temperatures of July and August which hampered the activity of travellers using the toll bridge; and (ii) the road construction works in the neighbouring area of the toll bridge during the period from September to December which resulted in a decrease in commuters using the toll bridge.

For the financial performance of the Group's infrastructure business for the year ended 31 December 2013, please refer to the section headed "Henderson Investment Limited ("HIL")" in the Chairman's Statement of the Company's announcement of results for the year ended 31 December 2013 of which this Financial Review forms a part.

Hotel operation

Turnover and profit contribution for the year ended 31 December 2013 decreased by HK$46 million (or 19%) and HK$37 million (or 39%), respectively, from that for the corresponding year ended 31 December 2012. During the year ended 31 December 2013, the Group's three Newton hotels recorded a steady average room rate but with a lower occupancy rate, mainly due to growing competition in its sector posed by newly-built hotels.

Department store operation

Turnover and profit contribution for the year ended 31 December 2013 increased by HK$26 million (or 7%) and HK$12 million (or 18%), respectively, over that for the corresponding year ended 31 December 2012. Such increases are mainly attributable to (i) the opening of one new Citistore outlet at Tuen Mun from its previous operation as an "id:c" specialty store after the completion of renovation in April 2013; and (ii) the positive effect of the promotional events, improved merchandise mix and enhanced customer service standards of the Citistore outlets during the year ended 31 December 2013.

Other businesses

Other businesses mainly comprise provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Turnover for the year ended 31 December 2013 decreased by HK$284 million, or 30%, from that for the corresponding year ended 31 December 2012 which is mainly attributable to the non-recurrence in 2013 of a dividend income of HK$215 million received during the year ended 31 December 2012 from the Group's investment in a property development project in Hong Kong**.**

However, profit contribution for the year ended 31 December 2013 decreased by HK$684 million, or 84%, from that for the corresponding year ended 31 December 2012. Besides the abovementioned non-recurrent dividend income, this is mainly attributable to the following :-

(i) the Group received an overdue interest income (before tax) of HK$47 million during the year (2012 : HK$247 million) in relation to the refund of a land deposit regarding a land site in mainland China, which resulted in a decrease in profit contribution of HK$200 million for the year; and

(ii) the Group recognised an impairment loss of HK$344 million (2012 : Nil) in relation to an investment in available-for-sale equity securities, on the basis that there is a prolonged decline in the fair value of such investment below its cost, and hence resulting in a decrease in profit contribution of HK$344 million for the year.

Associates

The Group's share of post-tax profits less losses of associates during the year ended 31 December 2013 amounted to HK$3,669 million (2012 (restated) : HK$4,041 million), representing a decrease of HK$372 million, or 9%, from that for the corresponding year ended 31 December 2012. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates of HK$552 million during the year ended 31 December 2013 (2012 : HK$1,243 million), the Group's share of the underlying post-tax profits less losses of associates for the year ended 31 December 2013 amounted to HK$3,117 million (2012 (restated) : HK$2,798 million), representing an increase of HK$319 million, or 11%, over that for the corresponding year ended 31 December 2012. Such increase was mainly attributable to the following :-

(i) the Group's share of increase in the underlying post-tax profit contribution from HKCG of HK$158 million, mainly due to the share of increase in profit contribution from the gas operation and related businesses of HK$270 million during the year, which is partially offset by the non-recurrence during the year of the share of an aggregate net one-off gain of HK$128 million recognised in the corresponding year ended 31 December 2012;

(ii) the Group's share of increase in the underlying post-tax profit contribution from HK Ferry of HK$74 million, mainly due to the share of profit contribution from the sales of securities investments of HK$33 million during the year, the share of increase in profit contribution from property leasing activities of HK$4 million during the year and the gain on bargain purchase of HK$61 million arising from the Group's acquisition of an additional 1.97% interest in HK Ferry, which are partially offset by the share of decrease in profit contribution from property sales of HK$25 million (in particular, in relation to "Shining Heights"); and

(iii) the Group's share of increase in the underlying post-tax profit contribution from Miramar of HK$68 million, mainly due to the gain on bargain purchase of HK$97 million arising from the Group's acquisition of an additional 0.87% interest in Miramar which is partially offset by the share of increase in the loss on disposal of land sites in the United States in the amount of HK$18 million and the share of the reversal of deferred tax asset in the amount of HK$12 million relating to the land site in the United States sold during the year.

Joint ventures

The Group's share of post-tax profits less losses of joint ventures during the year ended 31 December 2013 amounted to HK$2,613 million (2012: HK$4,416 million), representing a decrease of HK$1,803 million, or 41%, from that for the corresponding year ended 31 December 2012. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures of HK$628 million during the year ended 31 December 2013 (2012: HK$3,310 million), the Group's share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2013 amounted to HK$1,985 million (2012: HK$1,106 million), representing an increase of HK$879 million, or 79%, over that for the corresponding year ended 31 December 2012. Such increase was mainly attributable to (i) the Group's share of increase in post-tax profit contribution of HK$191 million from the sale of property units of "La Botanica" in Xian, mainland China; and (ii) the Group's share of post-tax profit contribution of HK$609 million (2012 : Nil) from the sale of property units of "Global Trade Square" in Hong Kong; and (iii) the Group's share of increase in post-tax profit contribution of HK$60 million from the property leasing activities of IFC Complex and Tung Chung project.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the year ended 31 December 2013 were HK$957 million (2012: HK$1,239 million). Finance costs before interest capitalisation for the year ended 31 December 2013 were HK$2,179 million (2012: HK$2,334 million). During the year ended 31 December 2013, the Group's effective borrowing rate was approximately 4.44% per annum (2012: approximately 4.31% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$6,345 million in the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: HK$8,813 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2013, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$11,194 million (2012: HK$11,300 million), with tenures of between two years and twenty years (2012: two years and twenty years). These notes are included in the Group's bank and other borrowings at 31 December 2013 as referred to in the paragraph "Maturity profile and interest cover" below.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows :-

	At 31 December 2013 HK$ million	At 31 December 2012 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**7,418**	2,826
- After 1 year but within 2 years	**12,588**	5,883
- After 2 years but within 5 years	**18,938**	23,197
- After 5 years	**7,841**	9,712
Amount due to a fellow subsidiary	**5,474**	6,125
Total debt	**52,259**	47,743
Less: Cash and bank balances	**13,915**	12,538
Net debt	**38,344**	35,205
Shareholders' funds *(2012 – restated)*	**223,402**	205,163
Gearing ratio (%)	**17.2%**	17.2%

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the balance sheet date.

The interest cover of the Group is calculated as follows :-

	Year ended 31 December	
	2013	2012
	HK$ million	HK$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures (before taxation) *(2012 – restated)*	**12,451**	10,132
Interest expense (before interest capitalisation)	**1,986**	2,140
Interest cover (times)	**6**	5

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the balance sheet date for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars ("US$"), Sterling ("£") and Singapore dollars ("S$"), certain bank borrowings which are denominated in United States dollars ("USD borrowings") and Japanese Yen ("¥") ("Yen borrowings"), as well as the fixed coupon rate bond ("Bond") which are denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond, the USD borrowings and the Yen borrowings in the aggregate principal amounts of US$835,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 31 December 2013 (2012: US$982,500,000, £50,000,000, S$200,000,000 and ¥10,000,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates in the aggregate principal amount of HK$12,000,000,000 at 31 December 2013 (2012: HK$13,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Material acquisitions and disposals

Material acquisitions

On 2 October 2013, the Company acquired :-

(i) additional beneficial interests of 1.62%, 1.97% and 1.33% in the issued share capitals of HKCG, HK Ferry and HIL respectively, from Dr. Lee Shau Kee ("Dr. Lee"), chairman of the board of directors of the Company, and private companies indirectly controlled by the private trusts of the family of Dr. Lee, for an aggregate cash consideration of HK$2,961 million ; and

(ii) an additional beneficial interest of 0.87% in the issued share capital of Miramar from Sir Po-shing Woo, the father of Mr. Woo Ka Biu, Jackson who is an independent non-executive director of the Company, and a private company beneficially owned by Sir Po-shing Woo and his spouse, for a cash consideration of HK$51 million.

As a result of the abovementioned acquisitions which were completed on 15 October 2013 and at 31 December 2013, the Group held an increased beneficial interest of (i) 41.50% in HKCG, 33.33% in HK Ferry and 45.08% in Miramar ; and (ii) 69.27% in HIL. The Group recognised a gain on bargain purchase arising from the acquisition of the aforementioned additional beneficial interests in HK Ferry and Miramar in the aggregate amount of HK$158 million for the year ended 31 December 2013.

On 13 November 2013, a wholly-owned subsidiary of the Company acquired a land site situated in Kwu Tung, the New Territories, for a land premium of HK$2,888 million. The land site will be held for development of residential properties for sale.

Material disposals

On 13 November 2013, the Group disposed of the issued share capital and outstanding loans of an indirectly owned subsidiary, whose principal asset is an investment property in Hong Kong, for a cash consideration of HK$1,673 million. The disposal was completed on 13 November 2013 and the Group recognised a gain on disposal of HK$587 million.

On 21 October 2013, the Group disposed of its investment in one of the available-for-sale equity securities and realised a net gain on disposal of HK$163 million for the year ended 31 December 2013.

Save as disclosed above, the Group did not undertake any other significant acquisitions or disposals of subsidiaries or assets during the year ended 31 December 2013.

Charge on assets

Assets of the Group's subsidiaries were not charged to any third parties at both 31 December 2013 and 31 December 2012.

Capital commitments

At 31 December 2013, capital commitments of the Group amounted to HK$27,342 million (2012: HK$31,380 million). In addition, the Group's attributable share of capital commitments in relation to its joint ventures amounted to HK$2,451 million (2012: HK$956 million).

Contingent liabilities

At 31 December 2013, the Group's contingent liabilities amounted to HK$2,240 million (2012: HK$1,784 million), of which :-

(i) an amount of HK$453 million (2012: HK$831 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects, and the year-on-year decrease of which is attributable to the project completion of "The Reach" during the year ended 31 December 2013 and hence the release of the relevant performance bond accordingly;

(ii) an amount of HK$467 million (2012: HK$466 million) relates to guarantees given by the Company in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 31 December 2013; and

(iii) an amount of HK$1,303 million (2012: HK$479 million) relates to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2013 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

At 31 December 2013, the Group had approximately 8,300 (2012: 8,000) full-time employees. The increase in headcount during the year ended 31 December 2013 mainly relates to the following divisions or segment :-

(i) the property management division, following the commencement of property management activities for “The Reach” and “Double Cove” Phase 1 which were completed during the year;

(ii) the construction segment, following the commencement of the production of pre-cast façade and miscellaneous site works which were carried out by sub-contractors in previous years; and

(iii) the cleaning division, due to the appointment of sub-contracted employees to full-time employees during the year.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2013 amounted to HK$1,907 million (2012: HK$1,819 million), which comprised (i) staff costs included under directors’ remuneration of HK$139 million (2012: HK$141 million); and (ii) staff costs (other than directors’ remuneration) of HK$1,768 million (2012: HK$1,678 million).

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Thursday, 5 June 2014 to Monday, 9 June 2014, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 June 2014.

2. Book Close for determining the qualification for the proposed final dividend and bonus shares

   The Register of Members of the Company will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and bonus shares, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address not later than 4:30 p.m. on Thursday, 12 June 2014.

Purchase, Sale or Redemption of the Company’s Listed Securities

Except for the issue of shares regarding the scrip dividend schemes and bonus shares on 15 July 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Audit Committee

The Audit Committee met in March 2014 and reviewed the systems of internal control and compliance and the annual report for the year ended 31 December 2013.

Corporate Governance

During the year ended 31 December 2013, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Board of Directors is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in property business, shall continue in his dual capacity as the Chairman and Managing Director.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Adoption of New Articles of Association

The new Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "New Companies Ordinance") came into effect on 3 March 2014. The Company proposes to put forward to shareholders for approval at the forthcoming annual general meeting a special resolution to adopt the new Articles of Association so as to replace the existing Articles of Association of the Company. The proposed new Articles of Association mainly reflects certain changes under the New Companies Ordinance. Details will be set out in the circular to be sent to the shareholders together with the 2013 Annual Report.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 20 March 2014

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Yip Ying Chee, John, Suen Kwok Lam, Lee King Yue, Fung Lee Woon King, Lau Yum Chuen, Eddie, Li Ning, Kwok Ping Ho and Wong Ho Ming, Augustine; (2) non-executive directors: Lee Pui Ling, Angelina and Lee Tat Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Leung Hay Man, Poon Chung Kwong, Chung Shui Ming, Timpson and Au Siu Kee, Alexander.