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)

2014 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2014.

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 2014 amounted to HK$9,292 million, representing an increase of HK$354 million or 4% over HK$8,938 million for the previous year. Underlying earnings per share were HK$3.11 (2013: HK$3.04 as adjusted for the bonus issue in 2014).

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 2014 was HK$16,752 million, representing an increase of HK$804 million or 5% over HK$15,948 million for the previous year. Reported earnings per share were HK$5.62 (2013: HK$5.43 as adjusted for the bonus issue in 2014).

At the year end, the net asset value attributable to equity shareholders amounted to HK$238,150 million, 7% higher than the amount of HK$223,402 million at the end of the previous year. Net debt (including the shareholder loans totaling HK$5,021 million (2013: HK$5,474 million)) amounted to HK$37,420 million (2013: HK$38,344 million) giving rise to a financial gearing ratio of 15.7% (2013: 17.2%).

DIVIDENDS

The Board recommends the payment of a final dividend of HK$0.76 per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.34 per share already paid, the total dividend for the year ended 31 December 2014 will amount to HK$1.10 per share (2013: 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, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of 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.

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme is expected to be sent to shareholders on Thursday, 9 July 2015.

ISSUE OF BONUS SHARES

The Board proposes to make a bonus issue of one new share for every ten shares held (2013: one bonus share for every ten shares held) to shareholders whose names appear on the Register of Members on Wednesday, 10 June 2015. 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 Thursday, 9 July 2015.

BUSINESS REVIEW

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2014 was up by 4% to HK$9,292 million. Pre-tax profit contribution from property sales (including the attributable contribution from subsidiaries, associates and joint ventures) decreased by 14% to HK$3,376 million, whilst pre-tax net rental income (including the attributable contribution from subsidiaries, associates and joint ventures) increased by 7% to HK$5,988 million. Besides, there was a total net gain of HK$662 million arising from the disposal of investment properties (including the shops and car parks at "CentreStage").

Hong Kong

Property Sale

The cooling measures imposed by the Government, as well as growing concerns over the tapering of the quantitative easing monetary policies in the United States, led to a stagnant property market in Hong Kong in the first quarter of 2014. However, the Government revised the terms of Double Stamp Duty in May 2014, allowing more time for second-home buyers to sell their original properties. External economic conditions also stabilized and the property market became active. In response to the improving market sentiment, the Group launched new projects almost every month in the second half of the year.

Development projects which were launched during the year to a positive response included "Double Cove Starview" and "Double Cove Starview Prime" in Ma On Shan (Phases 2 and 3 of "Double Cove"), "Metro6" in Hunghom, "H • Bonaire" in Ap Lei Chau, as well as "High One Grand" and "High One" in Cheung Sha Wan. Meanwhile, "Double Cove" - Phase 1, "39 Conduit Road" at Mid-Levels, "The Reach" in Yuen Long, "Green Code" in Fanling, as well as an array of urban redevelopment boutique residences under "The H Collection", were also re-launched for sale. Over 93% and 54% of the respective units at "Double Cove Starview" and "Double Cove Starview Prime" had been snapped up at the end of 2014. For the year ended 31 December 2014, the Group sold an attributable total amount of HK$11,692 million of Hong Kong residences.

Office and industrial developments, including "E-Trade Plaza" in Chai Wan, "Global Trade Square" in Wong Chuk Hang and "Global Gateway Tower" in Cheung Sha Wan, were also put up for sale, whilst the shops at "CentreStage" and "Plover Cove Garden" were disposed of during the year. Attributable proceeds arising from the disposals of these industrial/commercial developments and shops totalled HK$2,234 million. Including the aforesaid residential sales revenue, the Group sold HK$13,926 million worth of Hong Kong properties in attributable terms during the year under review.

Property Development

The Group has made use of multiple channels to replenish its development landbank in Hong Kong. Purely through redevelopment of old tenement buildings in urban areas (excluding conversion of New Territories land, as well as public auction and tender), abundant land resources have been available to the Group for property development. Together with the development projects which are sourced from land-use conversion of New Territories Land and public tenders (with the exception of a few projects earmarked for rental purposes), sizeable areas will be available to the Group for property sales in the coming years (with details shown as follows).

Below is a summary of properties under development and major completed stock:

			No. of projects	Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Note
(A)	**Area available for sale in 2015:**				
1.	Unsold units from major launched projects	(Table 1)	20	0.9	
2.	Projects pending sale in 2015	(Table 2)	9	0.9	
			Sub-total:	**1.8**	Of which floor area of about 840,000 sq.ft. was sourced from urban redevelopment projects
(B)	**Projects in Urban Areas:**				
3.	Existing urban redevelopment projects	(Table 3)	5	1.3	Date of sales launch not yet fixed and two of them are pending finalization of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	(Table 4)	13	1.3	Most of them are expected to be available for sale in 2016-2017
5.	Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	(Table 5)	27	2.1	Most of them are expected to be available for sale in 2017-2019
6.	Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	(Table 6)	40	1.3	Redevelopments of these projects are subject to consolidation of their ownership
7.	15 Middle Road, Tsim Sha Tsui Kowloon		1	0.3	To be held for rental purposes upon completion of development
	Total for the above categories (A) and (B) development projects:			**8.1**	
(C)	**Major development projects in New Territories:**				
-	Fanling North/Kwu Tung			4.0	(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:	**5.8**	
	Total for categories (A) to (C):			**13.9**	

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.

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

There are 20 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 2014 No. of residential units remaining unsold	At 31 December 2014 Approximate saleable area remaining unsold (sq. ft.)
1.	Double Cove - Phases 1 – 3 8 Wu Kai Sha Road, Ma On Shan	762,227	2,230,495	Commercial/ Residential	59.00	581	509,000
2.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	239	182,000
3.	Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	33.33	29	23,000
4.	High Park* 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	18	13,000
5.	High Point* 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	22	9,000
6.	High Place* 33 Carpenter Road	3,582	31,632	Commercial/ Residential	100.00	14	5,000
7.	The Hemispheres* 3 Gordon Road, North Point	7,386	61,603	Commercial/ Residential	100.00	49	24,000
8.	The Gloucester* 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	8	11,000
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	15 (Note 1)	43,000 (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.	METRO6 121 Bulkeley Street Hung Hom	6,268	55,557	Commercial/ Residential	33.33	42	17,000

15. High One Grand* 188 Fuk Wing Street Cheung Sha Wan	7,350	62,858	Commercial/ Residential	100.00	30	14,000
16. High One* 571 Fuk Wa Street Cheung Sha Wan	7,560	63,788	Commercial/ Residential	100.00	58	16,000
17. H・Bonaire* 68 Main Street, Ap Lei Chau	7,953	65,763	Commercial/ Residential	100.00	93	48,000
18. E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	60,000 (Note 2)
19. Global Trade Square 21 Wong Chuk Hang Road Aberdeen	14,298	214,467	Office	50.00	Not applicable	5,000 (Note 2)
20. Global Gateway Tower* 63 Wing Hong Street Cheung Sha Wan	28,004	336,052	Industrial	100.00	Not applicable	202,000 (Note 2)
				Sub-total:	**1,230**	**1,237,000**
				Approximate area attributable to the Group:		**942,000**

Note 1: In addition, there are 16 residential units held for investment purpose.
Note 2: Representing the commercial or industrial construction area.
* Urban redevelopment projects totalling approximately 380,000 square feet of remaining saleable area attributable to the Group.

(Table 2) Projects pending sale in 2015

In the absence of unforeseen delays, the following projects will 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 (unless otherwise stated) (sq. ft.)
1. Jones Hive* 8 Jones Street, Causeway Bay (launched for sale in January 2015)	6,529	65,267	Residential	79.762	119	56,520 (Note 1)
2. 200 Ma Tau Wai Road* To Kwa Wan	4,905	41,222	Commercial/ Residential	100.00	120	36,764
3. High Park Grand* 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	41	50,625
4. 33 Shing On Street* Sai Wan Ho	7,513	79,771	Commercial/ Residential	100.00	234	65,857
5. Double Cove - Phase 4 8 Wu Kai Sha Road, Ma On Shan (Note 2)	194,532	387,166	Residential	59.00	474	387,166
6. Double Cove - Phase 5 8 Wu Kai Sha Road, Ma On Shan (Note 2)	85,638	332,953	Residential	59.00	176	332,953
7. 50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street* To Kwa Wan	11,400	102,474	Commercial/ Residential	100.00	300	85,478
8. 11-33 Li Tak Street, Tai Kok Tsui*	19,600	176,400	Commercial/ Residential	100.00	448	134,396
9. 23 Robinson Road, Mid-Levels*	31,380	156,896	Residential	25.07	90	156,896
				Sub-total:	**2,002**	**1,306,655**
					Area attributable to the Group:	**882,406**

Note 1: Representing the residential saleable area.
Note 2: Pending the issue of pre-sale consent.
***** Urban redevelopment projects offering a total of 1,352 residential units, of which about 460,000 square feet of residential gross floor area is attributable to the Group.

(Table 3) Existing urban redevelopment projects

The Group has 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 1.3 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.	Big Star Centre 8 Wang Kwong Road Kowloon Bay, Kowloon (Note 1)	21,528	173,491	100.00	173,491
2.	45-47 Pottinger Street and Ezra's Lane, Central Hong Kong (Note 2)	9,067	135,995	19.10	25,968
3.	29 Lugard Road The Peak, Hong Kong	23,649	11,824	100.00	11,824
4.	14-30 King Wah Road North Point, Hong Kong (Notes 2 and 3)	52,689	329,755	100.00	329,755
5.	Yau Tong Bay Kowloon (Note 4)	822,380	4,039,687	18.44	744,743
	Total:	**929,313**	**4,690,752**		**1,285,781**

Note 1: The existing industrial building was approved to be reconfigured for office use, free of payment of any fee for the land-use conversion under the Government's revitalization policy. The reconfiguration works have already commenced.

Note 2: Investment property.

Note 3: With the approval from the Town Planning Board to be redeveloped into an office tower, it is now in the process of an appeal to the Government on the amount of assessed land premium.

Note 4: Outline zoning plan was approved in February 2013 by Metro Planning Committee of the Town Planning Board but in light of the market changes, the Group has submitted application to modify it with more housing units and such modification was approved in February 2015. It is still pending finalization of land premium with the Government.

(Table 4) Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

There are 13 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 2016-2017. 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.	208-212 Johnston Road, Wanchai	3,277	49,155	(Note 1)
2.	307-329 Des Voeux Road West, Western District (20% stake held by the Group)	10,034	21,018	
3.	450-456G Queen's Road West, Western District	28,392	276,934	
4.	852-858 King's Road and 21-39 Mansion Street, Quarry Bay	17,720	168,640	
	Sub-total:	**59,423**	**515,747**	
Kowloon				
5.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965	
6.	8-30A Ka Shin Street, Tai Kok Tsui	19,519	174,573	
7.	2-12 Observatory Road, Tsim Sha Tsui (50% stake held by the Group)	13,765	82,579	(Note 1)
8.	38-40A Hillwood Road, Tsim Sha Tsui	4,586	55,027	(Note 1)
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	58,577	(Note 2)
13.	7-7G Victory Avenue, Homantin	9,865	83,348	
	Sub-total:	**93,786**	**796,752**	
	Total:	**153,209**	**1,312,499**	

Note 1: To be held for rental purposes upon completion of development.
Note 2: Developable area may be subject to finalization of land premium.

(Table 5) Newly-acquired Urban Redevelopment Projects - with over 80% ownership secured

There are 27 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 2017-2019. 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.	85-95 Shek Pai Wan Road, Aberdeen	4,950	42,075
2.	4-6 Tin Wan Street, Aberdeen	1,740	14,790
3.	12-18 Tin Wan Street, Aberdeen	4,148	39,406
4.	9-13 Sun Chun Street, Tai Hang	2,019	18,171
5.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,920
6.	73-73E Caine Road, Mid-Levels	6,781	60,635
7.	13-15 Wood Road, Wanchai	3,993	33,941
8.	2 Tai Cheong Street, Sai Wan Ho	13,713	123,417
	Sub-total:	**89,810**	**639,355**
Kowloon			
9.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan	23,031	206,301
10.	2A-2F Tak Shing Street, Jordan	10,614	84,912
11.	456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po	22,965	206,685
12.	1-19 Nam Cheong Street, Sham Shui Po	8,625	77,625
13.	79-83 Fuk Lo Tsun Road, Kowloon City	3,630	30,855
14.	35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui	20,114	175,677
15.	21-27 Berwick Street and 202-220 Nam Cheong Street, Shek Kip Mei	15,788	126,304
16.	3-8 Yiu Tung Street, Shek Kip Mei	6,825	54,600
17.	10-16 Gillies Avenue South, Hunghom	6,800	57,800
18.	26-28 Gillies Avenue South and 76-78 Baker Street, Hunghom	2,975	26,775
19.	15-21C Whampoa Street and 80-86 Baker Street, Hunghom	8,125	73,125
20.	6-16A Whampoa Street, Hunghom	10,200	86,700
21.	30-36 Gillies Avenue South and 75-77 Baker Street, Hunghom	6,375	57,375
22.	42-44 Gillies Avenue South, Hunghom	3,400	28,900
23.	23-25 Whampoa Street and 79-81 Baker Street, Hunghom	2,625	23,625
24.	31-33 Whampoa Street, Hunghom	3,000	25,500
25.	30-36A Whampoa Street, Hunghom	6,800	57,800
26.	39-41 Whampoa Street and 12A-12B Bulkeley Street, Hunghom	2,800	25,200
27.	46-50 Gillies Avenue South, Hunghom	2,800	25,200
	Sub-total:	**167,492**	**1,450,959**
	Total for 27 projects with over 80% ownership:	**257,302**	**2,090,314**

(Table 6) Newly-acquired Urban Redevelopment Projects - with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 40 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging from between 20% and 80% has been achieved. The attributable land area of these projects totals about 300,000 square feet. 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 2,740,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 1,260,000 square feet.

Successful acquisitions of 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.

Land Bank

In September 2014, the following commercial site in Tsim Sha Tsui shopping area with easy access to an MTR station and stunning views of Victoria Harbour was acquired through public tender at the consideration of HK$4,688 million. It is planned to be developed into a Ginza-style commercial project, giving an added boost to the Group's investment property portfolio:

Location	**Lease Expiry**	**Site area (sq. ft.)**	**Land-use purpose**	**Group's interest (%)**	**Estimated attributable gross floor area (sq. ft.)**
15 Middle Road Tsim Sha Tsui, Kowloon	2064	28,309	Commercial	100.00	339,712

In respect of residential sites, the Group has chosen to replenish its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land, instead of bidding for land at high prices through public auctions or tenders. Although this method of land banking may involve a relatively longer period of time to accomplish as compared to that of public tenders, it ensures a more reliable source of land supply with a lower acquisition cost, which is beneficial to the Group's development returns in the long term. To date, a total of 12 urban redevelopment residences had been put up for sales, providing 1,290 housing units with a total attributable gross floor area of 1.1 million square feet.

The urban redevelopment project of "High One" at Cheung Sha Wan, which was launched for sale recently, is a manifest example. In terms of saleable area, the average selling price for the units sold for this project is about HK$17,000 per square foot, whereas the acquisition cost of the land site was about HK$4,400 per square foot (excluding construction cost and other expenses). As for "Double Cove Starview Prime" (Double Cove - Phase 3) at Ma On Shan, which was sourced from land-use conversion, the average selling price for the units sold stands at about HK$13,000 per square foot, whereas its acquisition cost (including the cost for acquisition of New Territories land and the land conversion premium) was merely HK$3,650 per square foot (excluding construction cost and other expenses). Hence, it is evident that profit contributions from urban redevelopment projects as well as New Territories projects are highly satisfactory.

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 23.8 million square feet, made up as follows:

	Attributable gross floor area (million sq.ft.)
Properties under development (Note)	13.0
Unsold units from major launched projects	0.9
Sub-total:	13.9
Completed properties (including hotels) for rental	9.9
Total：	23.8

Note: Including the total developable area of about 4.9 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, there are currently 40 urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 3.4 million square feet, which should be ready for sale or leasing in 2016 or beyond. The total land cost of such projects is estimated to be about HK$ 21,500 million (inclusive of street shops and the project at the prestigious Seymour Road in Mid-Levels being both of relatively high value), translating into a land cost of approximately HK$6,300 per square foot of gross floor area.

During the year, the Group completed the acquisition of the entire interest in the Queen's Road West project in Western District, King's Road project in Quarry Bay, as well as Kok Cheung Street project and Ka Shin Street project in Tai Kok Tsui, providing a total commercial and residential gross floor area of about 830,000 square feet.

In addition to the acquisition of redevelopment projects, the Group regularly evaluates its own properties for conversion into other uses so as to meet the evolving market demand and ensure efficient use of land resources. During the year under review, three industrial buildings (namely, "Well Tech Centre" in San Po Kong, "Dragon Centre" in Cheung Sha Wan, "Big Star Centre" in Kowloon Bay) with a total gross floor area of about 510,000 square feet were approved by the Government to be reconfigured for office use, free of any land-use conversion premium under the revitalization policy. As for the industrial site at King Wah Road, North Point, it is planned to be redeveloped into an office building pending an appeal to the Government on the amount of assessed land premium.

New Territories land

At the end of December 2014, the Group held New Territories land reserves amounting to approximately 44.5 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 earlier applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung. They are expected to provide total developable gross floor areas of approximately 3,730,000 square feet and 270,000 square feet respectively, against their respective site areas of 787,000 square feet and 45,000 square feet. Developable areas for both sites are subject to finalization of land premium.

According to the aforementioned “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” on a study area of about 5,300 hectares. In order to increase the land supply for housing, during the period the Government formulated the Preliminary Outline Development Plan for "Planning and Engineering Study for Housing Sites in Yuen Long South - Investigation" and launched its Stage 2 Community Engagement. It also released the “Land Use Review for Kam Tin South and Pat Heung”. The Group holds certain pieces of land in these Study Areas.

For “Hung Shui Kiu New Development Area Planning and Engineering Study”, Stage 3 Community Engagement was launched in the second half of 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 comprising about 218,000 and about 60,000 additional flats, of which about 50% are private developments. The Government is now gauging the public’s 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 on its development plans.

Investment Properties

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, increased by 7% to HK$6,424 million. The attributable pre-tax net rental income, including the attributable contribution from subsidiaries, associates and joint ventures, was HK$4,892 million, representing a growth of 8% over the previous year. Included therein is attributable gross rental income of HK$1,812 million (2013: HK$1,711 million) contributed from the Group's attributable interest of 40.76% in The International Finance Centre ("ifc") project. At the end of December 2014, the leasing rate for the Group's core rental properties was 98%. Besides, the Group held more than 10,000 car parking bays, providing additional rental income.

At the year end, the Group held a total attributable gross floor area of approximately 8.9 million square feet of completed investment properties of excellent quality in Hong Kong:

By type:	**Attributable gross floor area (million sq. ft.)**	**Percentage**
Shopping arcade or retail	4.5	50.6%
Office	3.6	40.4%
Industrial/Office	0.4	4.5%
Residential and apartment	0.4	4.5%
Total:	**8.9**	**100.0%**

By geographical area:	**Attributable gross floor area (million sq. ft.)**	**Percentage**
Hong Kong Island	2.3	25.8%
Kowloon	2.8	31.5%
New Territories	3.8	42.7%
Total:	**8.9**	**100.0%**

In 2014, the value of total retail sales in Hong Kong decreased by 0.2% due to slackening in visitor spending and the lacklustre local consumption. Despite these headwinds, all of the Group's major shopping malls, except those under renovation or re-alignment of tenant mix, recorded nearly full occupancy at the end of December 2014. This was mainly due to the Group's various efforts and initiatives to attract shoppers so as to boost tenants' business. In order to maintain the Group's competitiveness, renovation work is now underway for certain regional shopping malls, namely, 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.

In order to improve the rental values and appeal to discerning tenants, the Group regularly improves the quality of its office developments and enhances their green features. During the year under review, "AIA Tower" in North Point achieved the highest Platinum rating under the Hong Kong Building Environmental Assessment Method ("BEAM") scheme. Together with "ifc" in Central, as well as "Golden Centre" (which were both earlier accredited with Platinum ratings) and "FWD Financial Centre" (whose facility upgrades are in progress) both in Sheung Wan, the Group's office developments in Hong Kong Island have all performed well. The Group's portfolio of office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "Bamboos Centre", also recorded increased rents with satisfactory occupancies.

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. "Mira Moon", the 91-room designer lifestyle hotel operated by Miramar Hotel and Investment Company, Limited since its opening in November 2013, also performed well during the year under review.

Hotel and Retailing Operations

Overnight visitor arrivals to Hong Kong increased by 8.2% to 27.7 million in 2014. Four Seasons Hotel Hong Kong, which received a five-star designation from the Forbes Travel Guide 2014, further bolstered its leading position in the market with solid growth in both occupancy and average room rate during the year under review. Its Lung King Heen restaurant was again awarded a top three-star rating in the Michelin Guide to Hong Kong and Macau 2014. The Group's three Newton brand hotels (including the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel), all located in emerging new business districts, also performed well with higher occupancy rates. For the year ended 31 December 2014, the Group's pre-tax profit from hotel operations, including the attributable contribution from its subsidiaries, associates and joint ventures, increased by 9% to HK$326 million.

The disposal of the Company's retailing operation in Hong Kong (which covers six department stores under the name "Citistore" and a specialty store under the name "id:c") to Henderson Investment Limited ("HIL", a listed subsidiary of the Group) for a consideration of HK$934.5 million was completed on 1 December 2014. For the reason that HIL is also a subsidiary of the Group, the turnover contribution of the retailing operation in Hong Kong for the full year ended 31 December 2014 which amounted to HK$431 million was recognized by the Group (representing a year-on-year growth of 8% over HK$399 million in 2013). Meanwhile, its profit after tax and non-controlling interests of HIL amounted to HK$67 million (2013: profit after tax contribution to the Group of HK$66 million).

Construction and Property Management

The Group has been active in acquiring old tenement buildings for urban redevelopment purposes. As a mark of the Group's commitment to urban revitalization and to satisfying the needs of residents and the community, the newly completed "The Gloucester" in Wanchai was named Merit Winner in the Hong Kong Residential (Single Building) Category of the prestigious Quality Building Award 2014.

Meticulous planning throughout the construction process is the key to the Group's success. Advanced features recommended by the Leadership in Energy and Environmental Design (LEED) and BEAM Plus rating systems are adopted in the Group's projects. In addition to the use of self-developed pre-fabricated building components, the Group also contracted for the foundation piling works for its development projects so as to expedite the construction process and minimize disruption to the neighbourhoods of these populous districts. Against the prevailing backdrop of soaring material costs and a shortage of construction workers, all the above measures help raise quality and cost efficiency by reducing construction waste and manpower. In addition, with a large number of projects under development, the Group has implemented a series of measures such as bulk purchases of building materials and outsourcing to more well-qualified sub-contractors, to further reduce construction costs by economies of scale.

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

	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.	High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	58,471
2.	Green Code 1 Ma Sik Road Fanling	95,800	538,723	Commercial/ Residential	33.33	179,556
3.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	70,340
4.	Double Cove Starview (Double Cove - Phase 2) 8 Wu Kai Sha Road Ma On Shan	65,983	633,725	Residential	59.00	373,898
5.	High Place 33 Carpenter Road	3,582	31,632	Commercial/ Residential	100.00	31,632
6.	High Park Grand 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	60,750
					Total:	**774,647**

In mainland China, a localization policy is being implemented for the construction works of the Group's development projects. However, throughout the construction process, the Group's Construction Department monitors all the key areas such as tender evaluation, contract execution, development progress and product quality, and gauges them closely against a set of pre-determined standards. It also provides timely feedback, aiming at achieving building quality excellence and consistency for all of the Group's products.

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 spaces in Hong Kong and mainland China.

The Group's Property Management team believes that excellent building quality, when supplemented by a comprehensive and meticulous after-sales property management service, generates certain synergies. "Double Cove - Phase 1" in Ma On Shan, which is already an award-winning development for its building excellence, was awarded Gold in "The Best Landscape Award for Private Property Development 2014" during the year under review. An array of residential developments which were also under the Group's management were named Merit Winners, reaffirming the efforts of the Property Management team to promote a green lifestyle and sustainable living environment. For those urban boutique residences under "The H Collection", the Property Management team provides unparalleled one-stop home services to the residents enabling them to enjoy hassle-free urban living. The Group's commitment to quality property management services has also been extended to its projects in mainland China. During the year under review, "Hengbao Huating" in Guangzhou and "The Arch of Triumph" in Changsha received the designations respectively as the "Leading Enterprise for Property Management Services in Liwan District 2013" and the "1st runner-up in the Property Services Excellence for Housing Community".

Both the Construction and Property Management teams are on the front-line to serve the community and to realise the Group's commitment to corporate social responsibility. During the year under review, the Group's Construction Department received a multitude of commendations in recognition of their contribution to environmental protection and site safety. Following the success of the preceding "Year of Care", the Property Management Team launched "The Year of Senior" so as to raise public awareness of caring about the elderly. Their volunteer team won the "Highest Service Hour Award" championship, setting a new record by receiving such a top honour for the ninth year.

Mainland China

In the first half of 2014, the property sales volume continued to decline as a result of the then existing restrictions on home purchases and mortgage lending imposed by the Central Government. The downturn of the property market caused repeated postponements and cancellations of land auctions. After the meetings of the National People's Congress and Chinese People's Political Consultative Conference in March of 2014, the "Five Central Measures", intended to speed up the granting of home loans for first-time purchasers and to set mortgage rates at reasonable levels, were introduced and the deposit reserve ratio was reduced as part of the credit easing policies to satisfy mortgage demand amongst home buyers. In the latter half of the year, the Central Government continued to relax the restrictions on credit and the announcement of further relaxations on 30 September 2014 emerged as the turning point of the property market. At the same time, the local governments also adopted various stimulus measures for the property market. Benchmark loan and deposit interest rates were subsequently cut by the People's Bank of China. Property market activities in the first-tier and some second-tier cities rebounded in the fourth quarter of the year, with a notable increase in turnover.

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

	Project name	**Land-use purpose**	**Group's interest (%)**	**Attributable gross floor area (million sq.ft.)**
1.	Island Palace, Yixing	Residential	100	0.7
2.	Phase 1A, Sirius, Chengdu ICC	Residential	30	0.3
3.	Henderson 688, Shanghai	Commercial/Office	100	0.7
4.	Phases 2A, 2B and 3, Riverside Park, Suzhou	Residential	100	1.8
5.	Phases 3AC1 and 4-2R6, La Botanica, Xian	Residential	50	1.4
6.	Phases 1B and 3, Xuzhou Lakeview Development, Xuzhou	Residential	100	1.8
7.	Phase 2B, The Arch of Triumph, Changsha	Residential	100	1.3
8.	Phases 2A, 2B and 2C, High West, Chongqing	Residential/Office/ Commercial	100	2.3
9.	Phase 2A, Palatial Crest, Xian	Residential	100	0.8
10.	Phase 2A, Grand Waterfront, Chongqing	Residential	100	0.7
11.	Phase 1, Golden Riverside, Shenyang	Residential	100	0.3
			Total:	**12.1**

In December 2014, the Group won the bid for a residential site in Gaoxin District, Suzhou, at a consideration of RMB1,400 million. It will provide a total gross floor area of over 4.3 million square feet against the site area of about 1.8 million square feet.

At 31 December 2014, the Group had approximately 2.5 million square feet in attributable gross floor area of completed property stock. The Group also held a sizeable development land bank encompassing 16 major cities with a total attributable gross floor area of about 126.1 million square feet. Around 79% of this total 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		0.9
Guangzhou		14.5
	Sub-Total:	15.4
Second-tier cities		
Anshan		17.8
Changsha		11.9
Chengdu		3.7
Chongqing		1.9
Dalian		9.5
Fuzhou		1.4
Hangzhou		1.2
Nanjing		1.4
Shenyang		10.6
Suzhou		18.3
Tieling		8.7
Xian		14.3
Xuzhou		2.8
Yixing		7.2
	Sub-Total:	110.7
	Total:	126.1

** Excluding basement areas and car parks*

Usage of development land bank

		Estimated developable gross floor area (million sq. ft.)	Percentage
Residential		100.0	79.3%
Commercial		12.7	10.1%
Office		9.2	7.3%
Others (including clubhouses, schools and community facilities)		4.2	3.3%
	Total:	126.1	**100.0%**

Property Sales

During the year under review, the Group achieved attributable contracted sales of approximately HK$5,203 million in value and 5.8 million square feet in attributable gross floor area, representing year-on-year decreases of 29% and 31% respectively. Most of the attributable contracted sales were contributed by major projects including "Xuzhou Lakeview Development", "Riverside Park" in Suzhou, "La Botanica" and "Palatial Crest" in Xian, "Henderson CIFI Centre" in Shanghai as well as "Grand Waterfront" in Chongqing.

Investment Properties

The Group’s mainland completed investment property portfolio was enlarged by 700,000 square feet to 7.3 million square feet with the addition of “Henderson 688” in Shanghai. Leasing performance achieved gratifying results during the reporting year. Driven by higher rents, improved occupancy and added contributions from recently completed investment properties, the Group’s attributable gross rental income and pre-tax net rental income from subsidiaries, associates and joint ventures increased by 14% to HK$1,480 million and by 2% to HK$1,096 million respectively during the year under review.

In Shanghai, “Henderson Metropolitan” near the Bund, housing the Apple flagship store and an eclectic mix of retail flagships, has developed into a popular and trendy shopping mall on Nanjing Road East, the busiest pedestrian street in the City. As Henderson Metropolitan has successfully attracted a multitude of tenants to become taxpayers in the Huangpu District, it has been declared a “Hundred Million Dollar Building” by the Huangpu District Government. The Group will continue its efforts to bring in further flagship stores of other renowned brands in the fashion and entertainment business. The aim is to enhance the turnover and popularity of the shopping mall, increase customer flow and make appropriate adjustments. During the year under review, many unique and innovative marketing events were organized with the result that Henderson Metropolitan was chosen by Wechat News Channel as one of the top three most Innovative Shopping Malls in Shanghai. The “Grand Gateway II”, a Grade-A office tower atop the Xujiahui subway station, continues to be well received by multinational corporations and its leasing rate stood at 93% at the end of December 2014. A little more than a year after completion, both the office tower and all the commercial space of “Greentech Tower” in Zhabei District have been fully leased. With its highly efficient property management and success in securing a great number of tenants to become taxpayers in the Zhabei District, “Greentech Tower” has also earned the honour of being a “Hundred Million Dollar Building” and has received a significant tax rebate from the District Government for two consecutive years. “Greentech Tower” together with “Centro” in the same district have been selected by the Department of Housing Management as “Excellent Buildings in Shanghai” for their quality property management services. “Henderson 688” was completed in May 2014 and leasing of the office portion of this development is progressing satisfactorily. Despite an adverse market, Henderson 688 has benefited from its prime location on prestigious Nanjing Road West in Jingan District and from an outstanding building design. The most encouraging aspect of the leasing of Henderson 688 is that all space on the commercial podium has been let ahead of completion of the building. An outdoor gourmet corridor known as “My Avenue 688” has been designed to be the latest trendy meeting hub in Shanghai. Unique eateries with distinctive cuisines from different cultures have been attracted to operate in this new landmark.

In Beijing, “World Financial Centre” is tenanted by many world-renowned financial institutions and multinational corporations such as Standard Chartered Bank, British Petroleum and Shell China. During the year under review, gross rental income for this international Grade-A office complex increased by 15% to HK$588 million with the leasing rate exceeding 96% by the end of December 2014. The leasing rate for the shopping mall at “Henderson Centre” was also close to 90% at 31 December 2014.

In Guangzhou, Heng Bao Plaza atop the Changshou Road subway station is under realignment of its tenant mix and its leasing rate was maintained at about 90% at the end of December 2014. In the Central Business District of Yuexiu District, “Haizhu Plaza” will be another iconic integrated development upon completion, with over 1.7 million square feet of gross floor area made up of about 800,000 square feet of high-end retail space and two office towers of over 900,000 square feet. The project sits on the banks of the Pearl River and will be connected to Haizhu Square subway station, which is the interchange of two lines. Construction will commence shortly.

Henderson Investment Limited ("HIL")

In order to diversify the business and revenue sources, HIL entered into an agreement with the Company on 5 September 2014, pursuant to which HIL agreed to acquire the Company's retailing operation in Hong Kong under the name "Citistore" for a consideration of HK$934.5 million. Following completion of the acquisition on 1 December 2014, HIL is engaged in both the retailing business in Hong Kong and the infrastructure business in mainland China.

During the year under review, no toll revenue was recognized as the toll fee payment in respect of HIL's infrastructure business remained provisionally suspended pending the outcome of its arbitration case over the toll fee collection right of Hangzhou Qianjiang Third Bridge. Meanwhile, post-tax profit contribution of HK$21 million arising from the retailing business against its turnover of HK$105 million for the month of December 2014 was recognized following the completion of its acquisition of the Citistore business on 1 December 2014. After taking into account the direct costs of the infrastructure business in mainland China (comprising mainly the amortization of the intangible operating right of the toll bridge and repairs and maintenance costs) and an exchange loss due to the depreciation of the Renminbi against the Hong Kong dollar, a slight loss attributable to equity shareholders of HK$7 million was recorded by HIL for the year ended 31 December 2014 (2013: Profit attributable to equity shareholders was HK$10 million).

The toll fee collection issue of Hangzhou Qianjiang Third Bridge is subject to arbitration by China International Economic and Trade Arbitration Commission ("CIETAC"). Arbitration proceedings commenced on 14 April 2014 but no conclusion has been reached. The arbitration tribunal considered that both HIL and 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市"四自"工程道路綜合收費管理處 or Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) and Hangzhou Municipal People's Government (collectively, the "Parties") should pursue further negotiations to seek a settlement plan. Its joint venture company has already written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested the Parties to submit their own settlement plans for mediation. A mediation meeting has been scheduled to be held in Hangzhou on 31 March 2015.

Looking ahead, Hong Kong's retail environment is expected to remain challenging given the continuing rise in operating costs, as well as intensifying competition within the industry and weaker spending by mainland tourists. HIL will try hard to raise the sales performance of this newly-acquired retail operation and strengthen its cost controls.

HIL will also follow up closely on the development of the arbitration case and continue to pursue further negotiations with the relevant PRC authority with a view to achieving a settlement relating to the toll fee collection right of Hangzhou Qianjiang Third Bridge that is in the interests of HIL and its shareholders as a whole.

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$7,109 million, an increase of HK$255 million compared to 2013. Exclusive of its share of a revaluation surplus from investment properties and unrealised exchange differences on the Renminbi, this group's profit after taxation for the year increased by approximately HK$640 million to approximately HK$7,000 million, an increase of 10% compared to 2013 mainly attributable to a rise in profit from its local businesses and mainland utility businesses. During the year under review, this group invested HK$6,365 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 1% to 28,835 million MJ whereas appliance sales revenue increased by 6.1% with a total of 252,135 sets sold, both compared to 2013. As at the end of 2014, the number of customers was 1,819,935, an increase of 21,204 compared to 2013, slightly up by 1.2%.

UTILITY BUSINESSES IN MAINLAND CHINA

As at the end of December 2014, this group had an approximately 62.39% interest in Towngas China Company Limited ("Towngas China"; stock code: 1083). Exclusive of unrealised exchange losses on the Renminbi, Towngas China recorded a net profit of HK$1,195 million, an increase of approximately 26% compared to 2013. Inclusive of the losses from the exchange difference in the fair values due to the depreciation of the Renminbi during the year, Towngas China's profit after taxation attributable to its shareholders was HK$1,054 million, a decrease of HK$52 million compared to 2013.

Towngas China acquired eight new piped-gas projects in 2014 located in Xingyi city, Guizhou province; in Siping city, Jilin province; in Guyang county, Baotou city, Inner Mongolia Autonomous Region; in Jiajiang county, Leshan city, Sichuan province; in Songyang county, Lishui city, Zhejiang province; in Tongshan district, Xuzhou city, Jiangsu province; in Luliang county, Qujing city, Yunnan province; and in Yangxin county, Binzhou city, Shandong province. In 2014, Towngas China also acquired a vehicular gas refilling station project in Qiqihar city, Heilongjiang province and a gas pipeline assembly project.

In May 2014, Standard & Poor's Ratings Services ("Standard & Poor's") upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "BBB" long-term corporate credit rating on the company. As a result of this revision, Standard & Poor's raised its long-term Greater China regional scale credit rating on Towngas China to "cnA+" from "cnA". In July 2014, Moody's Investors Service ("Moody's") also upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "Baa2" issuer rating on the company.

As at the end of 2014, inclusive of Towngas China, this group had a total of 127 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. With a total of eight new projects added to its portfolio in 2014, the total volume of gas sales for these projects in 2014 was approximately 15,200 million cubic metres, an increase of 14% over 2013. As at the end of 2014, this group's mainland gas customers stood at approximately 18.98 million, an increase of 10% over 2013.

This group's midstream natural gas projects are operating smoothly. These include natural gas pipeline projects in Anhui and Hebei provinces; 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. Construction of its gas storage facility in underground salt caverns in Jintan city, Jiangsu province commenced in November 2014. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. Phase one of this project, with a total storage capacity of 110 million standard cubic metres, is expected to be commissioned in mid-2016.

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; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in the starting area of Jiangbei Concentration Zone, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. With increasing demand for clean water resources across the country, this group's water projects are progressing well, with steady growth in volume of water sales.

Inclusive of projects of Towngas China, this group had 202 projects on the mainland as at the end of 2014, 29 more than at the end of 2013, spread across 24 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.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

This group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively, "ECO"), are progressing well.

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for 2014 was 5.8 million tonnes. The LPG refilling station business achieved good results in 2014. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. ECO has recently concluded an agreement for the development of a South East New Territories landfill gas utilisation project.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly, with an annual production volume of 250 million cubic metres in 2014.

ECO has recently concluded agreements with two coking plants in Xuzhou city, Jiangsu province and in Heze city, Shandong province, to produce LNG by using coke oven gas from these plants; commissioning of both projects is expected in late 2015.

ECO's methanol production plant in Inner Mongolia Autonomous Region operated smoothly in 2014. On this basis, construction of a facility, which further upgrades methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology, was completed at the end of 2014.

ECO is developing new technologies to convert agricultural and forestry waste into natural gas through gasification and methanation. Construction of a plant for this purpose is expected to commence in the second half of 2015.

A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO had 38 refilling stations in operation, under planning or construction as at the end of 2014, and further expansion into more provinces is in progress.

ECO's oilfield project in Thailand recorded good output in 2014. After conducting thorough research studying the geological structure of the oilfield, several high-yield wells were subsequently drilled producing a daily output of 6,000 barrels of oil by the end of 2014, four times that of earlier in the year. This high level of output is expected to be sustained in 2015.

FINANCING PROGRAMMES

This group established a medium term note programme in 2009 and had issued, as at 31 December 2014, medium term notes of an aggregate amount equivalent to HK$10,400 million with tenors ranging from 5 to 40 years under this programme.

In January 2014, this group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Capital Securities"), amounting to US$300 million. These Perpetual Capital 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 at that time, and thereafter will have a floating interest rate. The Perpetual Capital Securities, were rated "A3" and "A-" by Moody's and Standard & Poor's respectively.

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

Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2014 amounted to approximately HK$1,031 million, an increase of 251% as compared with the profit after taxation of HK$293 million last year.

In 2014, its profit derived from the sale of 699 residential units of Green Code and the rental and other income from the commercial arcade amounted to HK$1,092 million. The commercial arcades of Shining Heights and The Spectacle were fully let whereas the occupancy rate of the commercial arcade of Metro Harbour View was about 98% at the year end.

The sale of residential units of METRO6 at No. 121 Bulkeley Street, Hung Hom has been carried out in phases. The response from pre-sale was satisfactory. More than half of the residential units had been sold. This residential-cum-commercial tower provides a total gross floor area of approximately 56,000 square feet and comprises 95 residential units. The occupation permit was issued in February 2015 and accordingly the sales turnover will be duly included in its unaudited interim financial statements in 2015.

Upon obtaining the response on the clarification on the land use under the crown lease from the relevant Government authorities, this group will review the further development of 208 Tung Chau Street project.

The Ferry, Shipyard and related operations recorded a decline of 76% in operating profit to HK$8.2 million this year as compared with last year, largely due to the absence of a one-off gain from the disposal of oil barges. The operating results of Harbour Cruise – Bauhinia showed a decrease of 71% to HK$1.1 million this year due to the reduction in marginal profit.

Due to the negative impact of the "Occupy Central" movement, the operating results of the Travel Operation doubled in deficit to HK$8.1 million this year.

An impairment loss of HK$15.8 million was made against its available-for-sale securities investment during this year.

The proceeds from the sale of the remaining units in Green Code and METRO6 will be the major source of income of this group in 2015.

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

Miramar's turnover rose by 3% to approximately HK$3,127 million for the financial year ended 31 December 2014 compared with HK$3,044 million for the last corresponding period. Profit attributable to shareholders increased by 2% year-on-year to approximately HK$1,301 million. Excluding the net increase in the fair value of its investment properties, underlying profit attributable to shareholders grew by 19% year-on-year to approximately HK$567 million.

The Hotels and Serviced Apartments business consists of premium hotels, serviced apartments, and hotel management services for top-tier residential properties**.** EBITDA (earnings before interest, tax, depreciation and amortization) of this business amounted to approximately HK$244 million, representing a growth of 9% year-on-year. The Mira Hong Kong – this group's flagship design hotel - marked its fifth anniversary with growth in Revenue per Available Room ("RevPav"). With the sustainable increasing income from buffets to various delicacies and drinks, the hotel business enjoyed a 13% growth in revenue. The 91-room Mira Moon in its first full-year of operation recorded satisfactory performance and received a number of international awards, including 2014 Hot List by Conde Nast Traveller, IT List: The Best New Hotels 2014 by Travel + Leisure, 2014 Hong Kong's Rising Star by Expedia, and 2014 The Luxe List by DestinAsian.

For its Property Rental business, occupancy rates in its key properties including malls and office tower remained in the high nineties throughout 2014, with revenue growth of 7% year-on-year and EBITDA growth of 7% year-on-year during the reporting period. Commenced in 2014, the three-year Mall Repositioning Program improves the scale of our retail portfolio, which boasts approximately 500,000 square feet of prime area in Tsim Sha Tsui's golden strip. By the end of 2014, sections already unveiled included a contemporary Kimberley Road façade and entrance, a new link bridge within the mall and dining floors spanning from 4/F to 6/F named as "FoodLoft". Miramar collaborated with the reputable SCAD Hong Kong to transform the adjoining Knutsford Steps into an artistic graffiti space for shoppers to chill and appreciate. Its office tower leasing transactions remained steady.

The Food and Beverage business, with its diverse offerings under Mira Dining Collection, continued to show improved performance. Revenue grew 27% and EBITDA turned profitable at approximately HK$16 million. After the initial launch of School Food in Times Square, Hong Kong Island in 2013, Miramar opened three additional outlets in high-traffic shopping malls in Kowloon and the New Territories. A second Saboten was also opened in Tsim Sha Tsui. The popular Cantonese brand Tsui Hang Village celebrated its 40th anniversary in 2014 with year-round promotions at all three locations. Cuisine Cuisine at The Mira Hong Kong, WHISK and Tsui Hang Village (Tsim Sha Tsui) won Michelin acclaim.

The Travel business continues to record a steady growth in revenue due to the rise in popularity in the mass cruise and long-haul tours. Its handy on-line booking applications and pioneering on-line video itineraries facilitate customers in selecting their tours and destinations. The number of transactions made via on-line booking increased significantly in 2014.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At the year end, net debt (including the shareholder loans totalling HK$5,021 million (2013: HK$5,474 million)) amounted to HK$37,420 million (2013: HK$38,344 million) giving rise to a financial gearing ratio of 15.7% (2013: 17.2%).

In January 2014, the Group concluded a HK$13,800 million 4-year and 5-year term loan / revolving credit facility 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.

International Finance Centre project, which is owned by a joint venture of the Group, made an approach to the rated bond market again which resulted in the successful conclusion of three Guaranteed Notes issuance transactions in the first half of 2014 for a total amount of HK$3,500 million, following the debut issue of six-year Guaranteed Notes for US$500 million in mid-2013. These three bond issues were rated A (Stable) by Standard & Poor’s Rating Services. Issued at a coupon rate of 3.4% with a tenor of six years, the pricing for these transactions were comparable with those prevailing for bonds issued by top credit-rated companies in Hong Kong. In addition, a 5-year term loan refinancing facility for an amount of HK$10,000 million was concluded in August 2014 in the local syndicated loan market with favourable terms.

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

PROSPECTS

Improvement in the US economy, as well as increased global liquidity following the launch of quantitative easing by Europe and Japan, lent support to the property market in Hong Kong. In view of notable revival in property market, particularly in respect of the small and medium-sized residential units, the Hong Kong Monetary Authority has recently introduced a new round of tightening measures for property mortgages. The Group believes that these measures should be conducive to the healthy and sustainable development of the Hong Kong property market in the long run.

As regards "**property sales**", the Group's efforts in urban redevelopment over the years have started to bear fruit. In 2015, the Group plans to embark on sales launches of 7 urban residential development projects, as well as phases 4 and 5 of "Double Cove" in Ma On Shan, so as to meet the prevailing keen market demand for small and medium-sized flats. Together with the completed stock, a total of about 3,200 residential units in Hong Kong is estimated to be available for sale this year.

The Group has made use of multiple channels to replenish its development landbank in Hong Kong. There are currently 40 urban redevelopment projects with 80% to 100% of their ownership acquired, representing about 3.4 million square feet in total attributable gross floor area, which is expected to be available for sale or leasing in 2016 or beyond. The Group has also increased its land reserve in the New Territories to 44.5 million square feet, the largest holding among its peers in Hong Kong. Meanwhile, following the previous success in acquiring a residential site in Fanling through public tender, the Group has won the tender again for the commercial site atop the Tsim Sha Tsui East MTR station at HK$4,688 million during the year under review. It is by diversified means of land acquisitions that a stable supply of land is provided to the Group for property development in the long run.

Turning to mainland China, money supply should be relatively relaxed to maintain economic growth. In the first-tier cities, demand for housing is still strong and outlook of the property market remains relatively optimistic. In the second-tier cities, the diversity in the development of the property market will further intensify. The Group will actively look for quality projects in the first-tier cities as well as residential development projects in the second-tier cities exhibiting great potential. Also, the Group will step up its co-operation with mainland property developers.

As regards "**rental business**", the Group held a total attributable gross floor area of approximately 8.9 million square feet in completed investment properties in Hong Kong with most of them being quality offices and large-scale shopping malls, plus approximately 7.3 million square feet of completed investment properties across the prime cities in mainland China. In addition, the Group has many commercial development projects in the pipeline. With a continually expanding rental portfolio, the Group's rental income is set to report further growth.

The "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry continue to provide the Group with a source of stable and sizeable income. Hong Kong and China Gas, in particular, is Hong Kong's first public utility company. It has 202 projects on the mainland, spreading across 24 provinces, autonomous regions and municipalities with the number of customers in Hong Kong and mainland China increased to approximately 20.8 million. Its business coverage has also extended to new energy and water sectors. Its returns are promising given its sizeable customer base in both Hong Kong and mainland China amid rapidly growing business development.

The above three major income pillars (namely, “**property sales**”, “**rental business**” and “**associates**”) produce stable income for the Group. As at the end of February 2015, revenue from the presales of Hong Kong properties, but not yet accounted for, amounted to approximately HK$6,526 million in attributable terms. Together with a strong balance sheet, the Group is well placed to seize emerging opportunities to expand its asset portfolio, creating abundant value for the shareholders. Barring unforeseen circumstances, the Group’s performance in the coming financial year is expected to 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, 23 March 2015

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2014

	Note	***2014*** **HK$ million**	*2013* HK$ million
Turnover	3	**23,371**	23,289
Direct costs		**(14,168)**	(14,508)
		9,203	8,781
Other revenue	4	**560**	522
Other net income	5	**405**	8
Selling and marketing expenses		**(1,192)**	(1,255)
Administrative expenses		**(2,020)**	(1,931)
Profit from operations before changes in fair value of investment properties and investment properties under development		**6,956**	6,125
Increase in fair value of investment properties and investment properties under development	7	**5,538**	6,345
Profit from operations after changes in fair value of investment properties and investment properties under development		**12,494**	12,470
Finance costs	6(a)	**(859)**	(957)
Share of profits less losses of associates		**4,181**	3,669
Share of profits less losses of joint ventures		**2,657**	2,613
Profit before taxation	6	**18,473**	17,795
Income tax	8	**(1,533)**	(1,739)
Profit for the year		**16,940**	16,056

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014 (continued)

	Note	***2014*** **HK$ million**	*2013* HK$ million
Attributable to:			
Equity shareholders of the Company		**16,752**	15,948
Non-controlling interests		**188**	108
Profit for the year		**16,940**	16,056
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*10(a)*	***HK$5.62***	*HK$5.43**
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$3.11***	*HK$3.04**

** Adjusted for the bonus issue effected in 2014.*

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014

	Note	***2014*** **HK$ million**	*2013* HK$ million
Profit for the year		**16,940**	16,056
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		**(27)**	45
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences: net movement in the exchange reserve		**(248)**	1,491
- Cash flow hedges: net movement in the hedging reserve		**(342)**	1,214
- Available-for-sale equity securities: net movement in the fair value reserve		**133**	(151)
- Share of other comprehensive income of associates and joint ventures		**(302)**	335
Other comprehensive income for the year		**(786)**	2,934
Total comprehensive income for the year		**16,154**	18,990
Attributable to:			
Equity shareholders of the Company		**15,969**	18,863
Non-controlling interests		**185**	127
Total comprehensive income for the year		**16,154**	18,990

Consolidated Balance Sheet

at 31 December 2014

	Note	***At 31 December 2014*** **HK$ million**	*At 31 December 2013* HK$ million
Non-current assets			
Fixed assets		**119,705**	108,872
Intangible operating right		**361**	394
Interest in associates		**50,146**	48,108
Interest in joint ventures		**32,365**	31,046
Derivative financial instruments		**318**	409
Other financial assets		**7,423**	5,614
Deferred tax assets		**556**	523
		210,874	194,966
Current assets			
Deposits for acquisition of properties		**5,463**	5,604
Inventories	12	**80,101**	80,233
Trade and other receivables	13	**8,520**	7,453
Cash held by stakeholders		**1,719**	1,943
Cash and bank balances		**10,303**	13,915
		106,106	109,148
Current liabilities			
Trade and other payables	14	**17,304**	15,890
Bank loans and overdrafts		**13,590**	5,514
Guaranteed notes		**-**	1,904
Amount due to a fellow subsidiary		**409**	1,261
Tax payable		**937**	850
		32,240	25,419
Net current assets		**73,866**	83,729
Total assets less current liabilities		**284,740**	278,695

Consolidated Balance Sheet

at 31 December 2014 (continued)

	Note	***At 31 December 2014*** **HK$ million**	*At 31 December 2013* HK$ million
Non-current liabilities			
Bank loans		**12,968**	23,058
Guaranteed notes		**16,144**	16,309
Amount due to a fellow subsidiary		**4,612**	4,213
Derivative financial instruments		**1,473**	959
Deferred tax liabilities		**6,326**	6,156
		41,523	50,695
NET ASSETS		**243,217**	228,000
CAPITAL AND RESERVES			
Share capital: nominal value		**-**	5,398
Other statutory capital reserves		**-**	45,147
Share capital and other statutory capital reserves		**52,010**	50,545
Other reserves		**186,140**	172,857
Total equity attributable to equity shareholders of the Company		**238,150**	223,402
Non-controlling interests		**5,067**	4,598
TOTAL EQUITY		**243,217**	228,000

Notes:

1 Basis of preparation

The final results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2014 but are extracted from those financial statements.

The statutory financial statements 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"), and accounting principles generally accepted in Hong Kong. The statutory financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The statutory financial statements 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 financial statements 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 amendments to HKFRSs and one new Interpretation 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 financial statements for the year ended 31 December 2014:

- **Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities***

  The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the financial statements as the Group does not qualify to be an investment entity.

- **Amendments to HKAS 32, *Offsetting financial assets and financial liabilities***

  The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the financial statements as they are consistent with the policies already adopted by the Group.

- **Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets***

  The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the financial statements.

- **Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting***

  The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the financial statements as the Group has not novated any of its derivatives.

In respect of the other developments, none of them has material impact on the statutory financial statements.

The HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in the statutory financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

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:

	2014	*2013*
	HK$ million	HK$ million
Sale of properties	**15,466**	15,743
Rental income	**5,445**	4,994
Construction	**888**	1,290
Infrastructure	**-**	-
Hotel operation	**188**	194
Department store operation	**431**	399
Others	**953**	669
Total (note 11(b))	**23,371**	23,289

4 Other revenue

	2014	*2013*
	HK$ million	HK$ million
Bank interest income	**364**	308
Other interest income (note)	**30**	57
Others	**166**	157
	560	522

Note: Other interest income for the years ended 31 December 2014 and 2013 included overdue interest income (before tax) of HK$13 million and HK$47 million received by the Group during the abovementioned years, respectively, in relation to a refund of land deposits to the Group during the respective years.

5 Other net income

	2014	*2013*
	HK$ million	HK$ million
Net gain on disposal of subsidiaries	**140**	667
Net gain/(loss) on disposal of fixed assets		
- Investment properties	**602**	7
- Other fixed assets	**(4)**	(5)
Fixed assets written off	**(25)**	(51)
Net gain on disposal of available-for-sale equity securities	**2**	163
Impairment loss on available-for-sale equity securities	**(362)**	(344)
Reversal of impairment loss/(impairment loss) on trade debtors	**1**	(2)
Bad debts (written off)/reversed	**(10)**	1
Provision on inventories, net	**(5)**	(304)
Net realised loss on derivative financial instruments	**(26)**	-
Net foreign exchange loss	**(9)**	(83)
Others	**101**	(41)
	405	8

6 Profit before taxation

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

		2014	*2013*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank interest	**748**	763
	Interest on loans wholly repayable within five years	**1,019**	870
	Interest on loans repayable after five years	**73**	353
	Other borrowing costs	**181**	193
		2,021	2,179
	Less: Amount capitalised (note)	**(1,162)**	(1,222)
		859	957

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans and overdrafts, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalization is applicable) ranging from 3.66% to 6.29% (2013: 4.12% to 6.47%) per annum.

6 Profit before taxation (continued)

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

		2014 HK$ million	*2013* HK$ million
(b)	**Directors' remuneration**	**164**	165

		2014 HK$ million	*2013* HK$ million
(c)	**Staff costs (other than directors' remuneration):**		
	Salaries, wages and other benefits	**1,866**	1,692
	Contributions to defined contribution retirement plans	**84**	76
		1,950	1,768
(d)	**Other items:**		
	Depreciation	**151**	171
	Less: Amount capitalised	**(6)**	(5)
		145	166
	Net foreign exchange gain	**(160)**	(95)
	Cash flow hedges: net foreign exchange loss reclassified from equity	**169**	181
		9	86
	Amortisation of intangible operating right	**31**	31
	Cost of sales		
	— completed properties for sale	**11,217**	11,286
	— trading stocks	**339**	328
	Auditors' remuneration	**24**	21
	Operating lease charges: minimum lease payments in respect of leasing of building facilities	**204**	214
	Rentals receivable from investment properties less direct outgoings of HK$1,374 million (2013: HK$1,170 million) (note)	**(3,496)**	(3,338)
	Other rental income less direct outgoings	**(398)**	(332)
	Dividend income from investments in available-for-sale equity securities		
	— listed	**(88)**	(84)
	— unlisted	**(140)**	(10)

Note: Included contingent rental income of HK$233 million (2013: HK$214 million).

7 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 2014 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$5,538 million (2013: HK$6,345 million) and deferred tax thereon of HK$42 million (2013: HK$495 million) have been recognised in the consolidated statement of profit or loss for the year.

8 Income tax

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

	2014	*2013*
	HK$ million	HK$ million
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	**683**	657
(Over)/under-provision in respect of prior years	**(8)**	19
	675	676
Current tax - Provision for taxation outside Hong Kong		
Provision for the year	**484**	354
Under/(over)-provision in respect of prior years	**3**	(4)
	487	350
Current tax - Provision for Land Appreciation Tax		
Provision for the year	**156**	39
Over-provision in respect of prior years	**(2)**	-
	154	39
Deferred tax		
Origination and reversal of temporary differences	**217**	674
	1,533	1,739

Provision for Hong Kong Profits Tax has been made at 16.5% (2013: 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 2013/14 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business (2013: the same statutory concession amount was granted for the year of assessment 2012/13 and was taken into account in calculating the Hong Kong Profits Tax provision for 2013).

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

	2014	*2013*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.34 (2013: HK$0.32) per share	**1,020**	859
Final dividend proposed after the balance sheet date of HK$0.76 (2013: HK$0.74) per share	**2,280**	1,997
	3,300	2,856

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

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

	2014	*2013*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.74 (2013: HK$0.74) per share	**1,997**	1,787

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$16,752 million (2013: HK$15,948 million) and the weighted average number of 2,983 million ordinary shares in issue during the year (2013: 2,939 million ordinary shares*), calculated as follows:

	2014	*2013*
	million	million
Number of issued ordinary shares at 1 January	**2,699**	2,415
Weighted average number of ordinary shares issued in respect of scrip dividends	**14**	16
Weighted average number of ordinary shares issued in respect of the bonus issue in 2013	**-**	241
Weighted average number of ordinary shares issued in respect of the bonus issue in 2014	**270**	267
Weighted average number of ordinary shares for the year (2013: as adjusted)	**2,983**	2,939

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2013 as there were no dilutive potential ordinary shares in existence during both years.

** Adjusted for the bonus issue effected in 2014.*

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$9,292 million (2013: HK$8,938 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:

	2014	*2013*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**16,752**	15,948
Effect of changes in fair value of investment properties and investment properties under development (note 7)	**(5,538)**	(6,345)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development (note 7)	**42**	495
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(796)**	(552)
– joint ventures	**(1,188)**	(628)
Effect of share of non-controlling interests	**20**	20
Underlying profit attributable to equity shareholders of the Company	**9,292**	8,938
Underlying earnings per share	**HK$3.11**	HK$3.04*

** Adjusted for the bonus issue effected in 2014.*

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. No operating segments have been aggregated to form 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
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy business
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

Utility and energy is identified and presented as an additional reportable segment in the current year. Corresponding amounts have been provided on a basis consistent with the revised segment information and presentation.

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.

(a) Results of reportable segments

Information regarding reportable segments of the Group and its share of associates and joint ventures 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 2014 and 2013 is set out below:

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Turnover HK$ million (note (i))	Segment Results HK$ million	Share of Turnover HK$ million	Share of Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million	Turnover HK$ million	Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million
For the year ended 31 December 2014										
Property development										
Hong Kong	**10,122**	**2,443**	**1,355**	**451**	**11,477**	**2,894**	**(1,211)**	**(178)**	**10,266**	**2,716**
Mainland China	**5,344**	**418**	**1,221**	**245**	**6,565**	**663**	**(29)**	**(3)**	**6,536**	**660**
	15,466	**2,861**	**2,576**	**696**	**18,042**	**3,557**	**(1,240)**	**(181)**	**16,802**	**3,376**
Property leasing										
Hong Kong	**3,976**	**2,808**	**2,482**	**2,100**	**6,458**	**4,908**	**(34)**	**(16)**	**6,424**	**4,892**
Mainland China	**1,469**	**1,086**	**11**	**10**	**1,480**	**1,096**	**-**	**-**	**1,480**	**1,096**
(note (ii))	**5,445**	**3,894**	**2,493**	**2,110**	**7,938**	**6,004**	**(34)**	**(16)**	**7,904**	**5,988**
Construction	**888**	**(22)**		**-**		**(22)**		**-**		**(22)**
Infrastructure	**-**	**(55)**		**-**		**(55)**		**31**		**(24)**
Hotel operation	**188**	**47**		**279**		**326**		**-**		**326**
Department store operation	**431**	**85**		**-**		**85**		**(3)**		**82**
Others	**953**	**315**		**(31)**		**284**		**(26)**		**258**
	23,371	**7,125**		**3,054**		**10,179**		**(195)**		**9,984**
Utility and energy	**-**	**-**		**3,669**		**3,669**		**-**		**3,669**
	23,371	**7,125**		**6,723**		**13,848**		**(195)**		**13,653**
Bank interest income		**364**		**158**		**522**		**(20)**		**502**
Provision on inventories, net		**(5)**		**(15)**		**(20)**		**-**		**(20)**
Unallocated head office and corporate expenses, net	**(note (iii))**	**(528)**		**(272)**		**(800)**		**2**		**(798)**
Profit from operations		**6,956**		**6,594**		**13,550**		**(213)**		**13,337**
Increase in fair value of investment properties and investment properties under development		**5,538**		**1,988**		**7,526**		**(20)**		**7,506**
Finance costs		**(859)**		**(570)**		**(1,429)**		**7**		**(1,422)**
Profit before taxation		**11,635**		**8,012**		**19,647**		**(226)**		**19,421**
Income tax		**(1,533)**		**(1,174)**		**(2,707)**		**38**		**(2,669)**
Profit for the year		**10,102**		**6,838**		**16,940**		**(188)**		**16,752**

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2014										
Share of profits less losses of associates (note (iv))										
- Listed associates										
The Hong Kong and China Gas Company Limited	**-**	**370**	**-**	**-**	**22**	**-**	**(194)**	**198**	**2,752**	**2,950**
Miramar Hotel and Investment Company, Limited	**-**	**583**	**-**	**-**	**60**	**-**	**(58)**	**585**	**-**	**585**
Hong Kong Ferry (Holdings) Company Limited	**271**	**57**	**-**	**-**	**-**	**-**	**4**	**332**	**-**	**332**
- Unlisted associates	**-**	**309**	**-**	**-**	**-**	**-**	**5**	**314**	**-**	**314**
	271	**1,319**	**-**	**-**	**82**	**-**	**(243)**	**1,429**	**2,752**	**4,181**
Share of profits less losses of joint ventures (note (v))	**257**	**2,268**	**-**	**-**	**128**	**-**	**4**	**2,657**	**-**	**2,657**
	528	**3,587**	**-**	**-**	**210**	**-**	**(239)**	**4,086**	**2,752**	**6,838**

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Turnover HK$ million (note (i))	Segment Results HK$ million	Share of Turnover HK$ million	Share of Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million	Turnover HK$ million	Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million
For the year ended 31 December 2013										
Property development										
Hong Kong	10,570	2,883	1,201	759	11,771	3,642	(740)	(139)	11,031	3,503
Mainland China	5,173	69	1,022	342	6,195	411	(131)	(3)	6,064	408
	15,743	2,952	2,223	1,101	17,966	4,053	(871)	(142)	17,095	3,911
Property leasing										
Hong Kong	3,691	2,599	2,326	1,940	6,017	4,539	(13)	(5)	6,004	4,534
Mainland China	1,303	1,071	-	-	1,303	1,071	-	-	1,303	1,071
(note (ii))	4,994	3,670	2,326	1,940	7,320	5,610	(13)	(5)	7,307	5,605
Construction	1,290	(26)		-		(26)		-		(26)
Infrastructure	-	(41)		-		(41)		23		(18)
Hotel operation	194	57		243		300		-		300
Department store operation	399	79		-		79		-		79
Others	669	134		309		443		(16)		427
	23,289	6,825		3,593		10,418		(140)		10,278
Utility and energy	-	-		3,303		3,303		-		3,303
	23,289	6,825		6,896		13,721		(140)		13,581
Bank interest income		308		78		386		(19)		367
Provision on inventories, net		(304)		(6)		(310)		20		(290)
Unallocated head office and corporate expenses, net (note (iii))		(704)		(240)		(944)		7		(937)
Profit from operations		6,125		6,728		12,853		(132)		12,721
Increase in fair value of investment properties and investment properties under development		6,345		1,184		7,529		(20)		7,509
Finance costs		(957)		(506)		(1,463)		11		(1,452)
Profit before taxation		11,513		7,406		18,919		(141)		18,778
Income tax		(1,739)		(1,124)		(2,863)		33		(2,830)
Profit for the year		9,774		6,282		16,056		(108)		15,948

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2013										
Share of profits less losses of associates (note (iv))										
- Listed associates										
The Hong Kong and China Gas Company Limited	-	268	-	-	18	-	(3)	283	2,480	2,763
Miramar Hotel and Investment Company, Limited	(1)	583	-	-	58	-	(24)	616	-	616
Hong Kong Ferry (Holdings) Company Limited	7	39	-	-	-	-	109	155	-	155
- Unlisted associates	-	121	-	-	-	-	14	135	-	135
	6	1,011	-	-	76	-	96	1,189	2,480	3,669
Share of profits less losses of joint ventures (note (v))	819	1,638	-	-	115	-	41	2,613	-	2,613
	825	2,649	-	-	191	-	137	3,802	2,480	6,282

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The turnover figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$273 million (2013: HK$258 million), HK$2,061 million (2013: HK$2,785 million) and HK$119 million (2013: HK$66 million) in relation to the reportable segments under property leasing, construction and others, respectively.

(ii) Turnover for the property leasing segment comprises rental income of HK$4,854 million (2013: HK$4,442 million) and rental-related income of HK$591 million (2013: HK$552 million), which in aggregate amounted to HK$5,445 million for the year (2013: HK$4,994 million).

(iii) Unallocated head office and corporate expenses, net for the year is stated after netting off the net gain on disposal of subsidiaries of HK$140 million (2013: HK$667 million) (see note 5) and the net gain on disposal of investment properties of HK$602 million (2013: HK$7 million) (see note 5). Excluding the aforementioned gains, the Group's unallocated head office and corporate expenses for the year amounted to HK$1,270 million (2013: HK$1,378 million).

(iv) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$1,319 million (2013: HK$1,011 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$796 million (2013: HK$552 million).

(v) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$2,268 million (2013: HK$1,638 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$1,188 million (2013: HK$628 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**	
	2014	*2013*	***2014***	*2013*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**16,531**	16,779	**164,148**	151,510
Mainland China	**6,840**	6,510	**38,429**	36,910
	23,371	23,289	**202,577**	188,420
	(note 3)	(note 3)		

11 Segment reporting (continued)

(c) Other segment information

	Amortisation and depreciation		(Reversal of impairment loss)/ impairment loss on trade debtors	
	For the year ended 31 December		For the year ended 31 December	
	2014	*2013*	***2014***	*2013*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**15**	18	**-**	-
Property leasing	**26**	23	**(1)**	1
Construction	**26**	41	**-**	-
Infrastructure	**32**	32	**-**	-
Hotel operation	**41**	41	**-**	-
Department store operation	**6**	4	**-**	-
Others	**30**	38	**-**	1
	176	197	**(1)**	2

12 Inventories

	2014	*2013*
	HK$ million	HK$ million
Property development		
Leasehold land held for development for sale	**9,888**	10,027
Properties held for/under development for sale	**60,615**	61,408
Completed properties for sale	**9,518**	8,703
	80,021	80,138
Other operations		
Trading stocks	**80**	95
	80,101	80,233

13 Trade and other receivables

	2014	*2013*
	HK$ million	HK$ million
Instalments receivable	**1,281**	1,809
Loan receivable	**50**	-
Debtors, prepayments and deposits	**6,968**	5,042
Gross amount due from customers for contract work	**31**	109
Derivative financial instruments	**-**	38
Amounts due from associates	**138**	415
Amounts due from joint ventures	**52**	40
	8,520	7,453

(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$892 million (2013: HK$322 million) which are expected to be recovered after more than one year.

(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:

	2014	*2013*
	HK$ million	HK$ million
Current or under 1 month overdue	**1,885**	2,419
More than 1 month overdue and up to 3 months overdue	**31**	108
More than 3 months overdue and up to 6 months overdue	**78**	23
More than 6 months overdue	**66**	78
	2,060	2,628

(iii) 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.

13 Trade and other receivables (continued)

(iv) At 31 December 2014, the Group did not recognised any toll income receivable from Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a non-wholly 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 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 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 financial statements 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 2014 of RMB648 million, or equivalent to HK$808 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 2014.

Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company 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 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. The arbitration proceedings commenced on 14 April 2014 and no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan and the Joint Venture Company has already written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans for mediation and the mediation meeting was scheduled to be held in Hangzhou on 31 March 2015.

(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.

14 Trade and other payables

	2014 **HK$ million**	*2013* HK$ million
Creditors and accrued expenses	**8,505**	7,870
Gross amount due to customers for contract work	**54**	27
Rental and other deposits	**1,320**	1,198
Forward sales deposits received	**6,404**	6,429
Derivative financial instruments	**-**	39
Amounts due to associates	**140**	53
Amounts due to joint ventures	**881**	274
	17,304	15,890

(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$818 million (2013: HK$715 million) which is expected to be settled after more than one year.

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

	2014 **HK$ million**	*2013* HK$ million
Due within 1 month or on demand	**1,298**	1,965
Due after 1 month but within 3 months	**1,635**	1,475
Due after 3 months but within 6 months	**1,273**	284
Due after 6 months	**2,486**	2,250
	6,692	5,974

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

15 Review of results

The financial results for the year ended 31 December 2014 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 2014 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements 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 statutory consolidated financial statements for the year ended 31 December 2014.

Turnover and profit

	Turnover			*Contribution/(loss) from operations*		
	Year ended 31 December		*Increase/*	*Year ended 31 December*		*Increase/*
	2014	2013	*(Decrease)*	**2014**	2013	*(Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**15,466**	15,743	*-2%*	**2,861**	2,952	*-3%*
- Property leasing	**5,445**	4,994	*+9%*	**3,894**	3,670	*+6%*
- Construction	**888**	1,290	*-31%*	**(22)**	(26)	*+15%*
- Infrastructure	**-**	-	-	**(55)**	(41)	*-34%*
- Hotel operation	**188**	194	*-3%*	**47**	57	*-18%*
- Department store operation	**431**	399	*+8%*	**85**	79	*+8%*
- Other businesses	**953**	669	*+42%*	**315**	134	*+135%*
	23,371	23,289	*+0.4%*	**7,125**	6,825	*+4%*

	Year ended 31 December		
	2014	2013	Increase
	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	**16,752**	15,948	*+5%*
- 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	**9,292**	8,938	*+4%*

Excluding the effects of certain one-off items from the underlying profit attributable to shareholders for the years ended 31 December 2014 and 2013, the adjusted underlying profit attributable to shareholders for the two financial years is as follows :-

	Year ended 31 December			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying profit attributable to shareholders	**9,292**	8,938	*354*	*+4%*
(Less)/add :				
One-off (income)/expense items -				
Reversal of the accrued site settlement cost of a terminated development project in mainland China	**(113)**	-	*(113)*	
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	**(10)**	(35)	*25*	
Dividend income received from the Group’s investment in a property development project in Hong Kong	**(132)**	-	*(132)*	
Net gain on disposal of investment properties and subsidiaries	**(713)**	(674)	*(39)*	
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*	
Impairment loss in relation to an investment in available-for-sale equity securities	**362**	344	*18*	
Adjusted underlying profit attributable to shareholders	**8,686**	8,415	*271*	*+3%*

Discussions on the major reportable segments are set out below.

Property development

The gross revenue from property sales during the years ended 31 December 2014 and 2013 generated by the Group's subsidiaries, and by geographical contribution, is as follows :-

	Year ended 31 December			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	HK$ million	*%*
Hong Kong	**10,122**	10,570	(448)	*-4%*
Mainland China	**5,344**	5,173	171	*+3%*
	15,466	15,743	(277)	*-2%*

The gross revenue from property sales in Hong Kong during the year ended 31 December 2014 is mainly contributed from "Double Cove Starview", "High West", "High Point" and "High Place" (being projects completed during the year) in the aggregate amount of HK$5,412 million as well as from the other major completed projects, such as "39 Conduit Road", "Double Cove" Phase 1 and "The Reach" in the aggregate amount of HK$4,112 million. By comparison, the gross revenue from property sales in Hong Kong in 2013 was mainly contributed from "Double Cove" Phase 1 and "The Reach" (being projects completed in 2013) in the aggregate amount of HK$9,365 million.

The gross revenue from property sales in mainland China during the year ended 31 December 2014 is mainly contributed from those property development projects which were completed during the year ended 31 December 2014, namely "High West" in Chongqing, Phases 2A, 2B and 3 of "Riverside Park" in Suzhou, Phase 2A of "Palatial Crest" in Xian and Phases 1B and 3 of "Xuzhou Lakeview Development" in the aggregate amount of HK$4,775 million. By comparison, the gross revenue from property sales in mainland China in 2013 was mainly contributed from "Treasure Garden" in Nanjing, "Emerald Valley" in Nanjing and "Grand Lakeview" in Yixing (which were property development projects completed in 2013) in the aggregate amount of HK$3,364 million.

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2014 and 2013, is as follows :-

	Year ended 31 December			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution :				
Hong Kong	**2,716**	3,503	*(787)*	*-22%*
Mainland China	**660**	408	*252*	*+62%*
	3,376	3,911	*(535)*	*-14%*

The decrease in the Group's share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2014 is mainly attributable to the decrease in the Group's share of profit contribution from "Global Trade Square" (being a project completed in 2013). The increase in the Group's share of pre-tax profits from property sales in mainland China during the year ended 31 December 2014 is mainly attributable to the increase in profit contributions from the more profitable projects which were completed and launched during the year, namely "High West" in Chongqing, Phases 2A, 2B and 3 of "Riverside Park" in Suzhou, Phase 2A of "Palatial Crest" in Xian and Phases 1B and 3 of "Xuzhou Lakeview Development".

From subsidiaries (after deducting non-controlling interests), associates and joint ventures :

	Year ended 31 December			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Subsidiaries	**2,680**	2,810	*(130)*	*-5%*
Associates	**327**	18	*309*	*+1,717%*
Joint ventures	**369**	1,083	*(714)*	*-66%*
	3,376	3,911	*(535)*	*-14%*

The increase in the Group's share of pre-tax profit contribution from the property sales of associates during the year ended 31 December 2014 is mainly attributable to "Green Code", being a project held by HK Ferry and which was completed in June 2014. The decrease in the Group's share of pre-tax profit contribution from the property sales of joint ventures during the year ended 31 December 2014 is mainly due to the fact that significant profit contribution was recognised in 2013 from the sales of "Global Trade Square" (being a project completed in 2013) but which nevertheless did not recur during the year.

Property leasing

The gross revenue from property leasing during the years ended 31 December 2014 and 2013 generated by the Group's subsidiaries, and by geographical contribution, is as follows :-

	Year ended 31 December			
	2014	2013	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**3,976**	3,691	*285*	*+8%*
Mainland China	**1,469**	1,303	*166*	*+13%*
	5,445	4,994	*451*	*+9%*

The Group's share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2014 and 2013, is as follows :-

	Year ended 31 December			
	2014	2013	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution :				
Hong Kong	**4,892**	4,534	*358*	*+8%*
Mainland China	**1,096**	1,071	*25*	*+2%*
	5,988	5,605	*383*	*+7%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures :				
Subsidiaries	**3,878**	3,665	*213*	*+6%*
Associates	**689**	610	*79*	*+13%*
Joint ventures	**1,421**	1,330	*91*	*+7%*
	5,988	5,605	*383*	*+7%*

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 2014. The increase in gross revenue in mainland China is mainly attributable to the year-on-year improvement in the average occupancies and rentals of "World Financial Centre" in Beijing as well as "Grand Gateway II" and "Henderson Metropolitan" in Shanghai during the year ended 31 December 2014, as well as the revenue contribution from "Henderson 688" in Shanghai which project was completed in May 2014. However, the pre-tax net rental income in mainland China only increased slightly from last year, mainly for the reasons of (i) the non-recurrence during the year of the one-off cumulative rental income of HK$44 million recovered in 2013 from a commercial investment property in Shenzhen which was disposed of in January 2014; and (ii) the increase in rental outgoings (comprising mainly additional staff costs and administrative expenses incurred by "Henderson 688" in Shanghai) during the year.

Construction

The decrease in turnover of HK$402 million to HK$888 million for the year ended 31 December 2014 is mainly attributable to the non-recurrence of the turnover contribution recognised in 2013 of HK$713 million relating to major projects such as Phase 1 of "Double Cove" and "The Reach" (both being the Group's property projects completed in 2013).

Infrastructure

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

For the financial performance of the Group's infrastructure business for the year ended 31 December 2014, please refer to the paragraph headed "Henderson Investment Limited ("HIL")" in the Chairman's Statement of the Company's announcement of results for the year ended 31 December 2014 of which this Financial Review forms a part. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right of Hangzhou Qianjiang Third Bridge, for the sake of prudence, the toll revenue commencing from 20 March 2012 (including the toll revenue for the year ended 31 December 2014) has not been recognised in the Group's financial statements. The increase in the loss from operations of HK$14 million for the year ended 31 December 2014 is mainly attributable to the casual repair and replacement works of the component parts of Hangzhou Qianjiang Third Bridge during the year.

Notwithstanding the provisional suspension in the payment of toll revenue to the Group during the year ended 31 December 2014, the toll revenue generated by Hangzhou Qianjiang Third Bridge during the year ended 31 December 2014 amounted to HK$235 million (2013 : HK$318 million), representing a decrease of HK$83 million, or 26%, from that for the corresponding year ended 31 December 2013. The average daily traffic volume of Hangzhou Qianjiang Third Bridge during the year ended 31 December 2014 was 58,438 vehicles (2013 : 77,376 vehicles), representing a year-on-year decrease of 24% which is mainly attributable to the impact of the road construction works of 西興互通道路改建工程 (being part of the Hangzhou Airport Road project) which commenced in April 2014 and led to the closure of the south link bridge of Hangzhou Qianjiang Third Bridge.

Hotel operation

Turnover and profit contribution for the year ended 31 December 2014 decreased by HK$6 million (or 3%) and HK$10 million (or 18%), respectively, from that for the corresponding year ended 31 December 2013. Despite the fact that the three Newton hotels achieved an increase in the average occupancy rate of between 70% and 76% during the year ended 31 December 2014 (2013 : between 68% and 71%), the decrease in turnover is attributable to the fact that the Group's three Newton hotels recorded a year-on-year decrease of between 3% and 10% in the average room rate due to the difficult market conditions for the hotel industry in Hong Kong as Hong Kong's tourism industry was materially affected by the mass gathering protests in certain areas from late September 2014 to early December 2014. The decrease in profit contribution is also attributable to the increase in direct costs and administrative expenses of the three Newton hotels by approximately 5% compared with the previous year.

Department store operation

On 1 December 2014, the department store business was sold to HIL. However, for the reason that HIL is a subsidiary of the Company, turnover and profit contribution of the department store operation was recognised by the Group for the full year ended 31 December 2014 which amount to HK$431 million (2013 : HK$399 million) and HK$85 million (2013 : HK$79 million), each representing a year-on-year growth of 8% which is mainly attributable to the positive effect of the promotional events, improved merchandise mix and enhanced customer service standards of all the Citistore outlets during the year ended 31 December 2014.

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 2014 increased by HK$284 million, or 42%, over that for the corresponding year ended 31 December 2013 which is mainly attributable to (i) a dividend income of HK$132 million received during the year from the Group’s investment in a property development project in Hong Kong ; and (ii) an increase in turnover from project management, property management, security guard services and finance services in the aggregate amount of HK$108 million during the year.

The profit contribution for the year ended 31 December 2014 also increased by HK$181 million, or 135%, over that for the corresponding year ended 31 December 2013 which is mainly attributable to the abovementioned reasons plus an one-off income item of HK$113 million arising from the reversal of the accrued site settlement cost of a terminated development project in mainland China.

Associates

The Group’s share of post-tax profits less losses of associates during the year ended 31 December 2014 amounted to HK$4,181 million (2013 : HK$3,669 million), representing an increase of HK$512 million, or 14%, over that for the corresponding year ended 31 December 2013. Excluding the Group’s attributable share of changes in fair value of investment properties held by the associates of HK$796 million during the year ended 31 December 2014 (2013: HK$552 million), the Group’s share of the underlying post-tax profits less losses of associates for the year ended 31 December 2014 amounted to HK$3,385 million (2013 : HK$3,117 million), representing an increase of HK$268 million, or 9%, over that for the corresponding year ended 31 December 2013. Such increase was mainly attributable to the following :-

(i) the Group’s share of increase in the underlying post-tax profit of The Hong Kong and China Gas Company Limited of HK$108 million, mainly due to the increase in profit contribution from the gas operation and related businesses of HK$272 million during the year, but which amount is partially offset by (a) the decrease in net investment gains of HK$131 million during the year; and (b) the interest expense of HK$42 million during the year in relation to a US$300 million perpetual bond which was issued in January 2014;

(ii) the Group's share of increase in the underlying post-tax profit of HK Ferry of HK$160 million, mainly due to the increase in post-tax profit contribution of HK$284 million from the property sales of "Green Code" (being a project completed in June 2014) in Hong Kong, but which amount is partially offset by (a) the decrease in profit contribution from the property sales projects of "Shining Heights" and "The Spectacle" in the aggregate amount of HK$15 million during the year; (b) the decrease in the profit on disposal of securities investments and gain on securities investments in the aggregate amount of HK$42 million during the year; and (c) the non-recurrence during the year of the gain on bargain purchase of HK$61 million arising from the Group's acquisition of an additional 1.97% interest in HK Ferry in October 2013; and

(iii) the Group's share of decrease in the underlying post-tax profit of Miramar of HK$7 million, mainly due to the non-recurrence during the year of the gain on bargain purchase of HK$97 million arising from the Group's acquisition of an additional 0.87% interest in Miramar in October 2013, but which amount is partially offset by (a) the increase in profit contribution of HK$24 million from the property leasing business of "Miramar Tower" and "Mira Mall" during the year; (b) the savings in the share of loss of HK$38 million in 2013 due to the termination of certain non-profitable business operations during the year; and (c) the non-recurrence during the year of the share of net loss of HK$28 million recognised from the disposal of non-core properties in the United States in 2013.

Joint ventures

The Group's share of post-tax profits less losses of joint ventures during the year ended 31 December 2014 amounted to HK$2,657 million (2013: HK$2,613 million), representing an increase of HK$44 million, or 2%, over that for the corresponding year ended 31 December 2013. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures of HK$1,188 million during the year ended 31 December 2014 (2013: HK$628 million), the Group's share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2014 amounted to HK$1,469 million (2013: HK$1,985 million), representing a decrease of HK$516 million, or 26%, from that for the corresponding year ended 31 December 2013. Such decrease was mainly attributable to the share of decrease in post-tax profit contribution of HK$582 million from the sales of the property project "Global Trade Square" in Hong Kong which was recognised in 2013. On the other hand, the Group's share of increase in the aggregate post-tax profit contributions from the property leasing and hotel operations of ifc complex amounted to HK$80 million during the year.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the year ended 31 December 2014 were HK$859 million (2013: HK$957 million). Finance costs before interest capitalisation for the year ended 31 December 2014 were HK$2,021 million (2013: HK$2,179 million). During the year ended 31 December 2014, the Group's effective borrowing rate was approximately 4.0 % per annum (2013: approximately 4.44% 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$5,538 million in the consolidated statement of profit or loss for the year ended 31 December 2014 (2013: HK$6,345 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2014, 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$10,420 million (2013: HK$11,194 million), with tenures of between four years and twenty years. These notes are included in the Group's bank and other borrowings at 31 December 2014 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 2014 HK$ million	At 31 December 2013 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**13,590**	7,418
- After 1 year but within 2 years	**6,940**	12,588
- After 2 years but within 5 years	**20,512**	18,938
- After 5 years	**1,660**	7,841
Amount due to a fellow subsidiary	**5,021**	5,474
Total debt	**47,723**	52,259
Less: Cash and bank balances	**10,303**	13,915
Net debt	**37,420**	38,344
Shareholders' funds	**238,150**	223,402
Gearing ratio (%)	**15.7%**	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	
	2014	2013
	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	**11,810**	11,227
Interest expense (before interest capitalisation)	**1,840**	1,986
Interest cover (times)	**6**	6

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$"), Pound Sterling ("£") and Singapore dollars ("S$"), certain bank borrowings which are denominated in 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 and the Yen borrowings in the aggregate principal amounts of US$672,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 31 December 2014 (2013: US$835,000,000, £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 2014 (2013: HK$12,000,000,000), 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 acquisition

On 3 September 2014, a wholly-owned subsidiary of the Company acquired a land site situated in Middle Road, Tsim Sha Tsui, Kowloon, for a consideration of HK$4,688 million. The land site will be held for development of properties for leasing purpose.

Material disposals

On 24 January 2014, the Group disposed of its 50% interest in a commercial investment property in Shenzhen, mainland China, for a consideration of RMB100 million (equivalent to HK$127 million). The Group recognised a net gain on disposal after tax of HK$18 million.

On 20 May 2014, the Group disposed of a commercial investment property in Hong Kong for a consideration of HK$668 million. The Group recognised a gain on disposal of HK$539 million.

On 23 December 2014, the Group disposed of its entire interests in two wholly-owned subsidiaries which were engaged in the ownership of certain carparking spaces in Hong Kong held as investment properties, for an aggregate consideration of HK$140 million. The Group recognised a gain on disposal of subsidiaries of HK$89 million.

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 2014.

Charge on assets

Assets of the Group's subsidiaries were not charged to any third parties at both 31 December 2014 and 31 December 2013, except for certain available-for-sale securities and held-to-maturity debt securities in the aggregate carrying amount of HK$646 million at 31 December 2014 (2013: Nil) which were pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group.

Capital commitments

At 31 December 2014, capital commitments of the Group amounted to HK$26,303 million (2013: HK$27,342 million). In addition, the Group's attributable share of capital commitments in relation to its joint ventures amounted to HK$3,104 million (2013: HK$2,451 million).

Contingent liabilities

At 31 December 2014, the Group's contingent liabilities amounted to HK$2,019 million (2013: HK$2,240 million), of which :-

(i) an amount of HK$536 million (2013: HK$453 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects ;

(ii) an amount of HK$232 million (2013: HK$467 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 2014 ; and

(iii) an amount of HK$1,234 million (2013: HK$1,303 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 2014 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

At 31 December 2014, the Group had approximately 8,560 (2013: 8,300) full-time employees. The increase in headcount during the year ended 31 December 2014 mainly relates to the following operations :

(i) the property management operation which increased its headcount by 118 full time employees, following the commencement of property management activities for "Double Cove" Phase 1, "Double Cove Starview" and "The Reach" during the year ; and

(ii) the cleaning services operation which increased its headcount by 81 full time employees, mainly due to the new cleaning services contracts entered into during the year in relation to Double Cove Place, Shatin Plaza Shopping Arcade and Shatin Centre Shopping Arcade.

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 2014 amounted to HK$2,088 million (2013: HK$1,907 million), which comprised (i) staff costs included under directors' remuneration of HK$138 million (2013: HK$139 million); and (ii) staff costs (other than directors' remuneration) of HK$1,950 million (2013: HK$1,768 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 Friday, 29 May 2015 to Tuesday, 2 June 2015, 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 Thursday, 28 May 2015.

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 Monday, 8 June 2015 to Wednesday, 10 June 2015, 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 Friday, 5 June 2015.

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

Except for the issue of shares regarding the scrip dividend schemes and bonus shares issue on 18 July 2014, 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 2015 and reviewed the system of internal control and the annual report for the year ended 31 December 2014.

Corporate Governance

During the year ended 31 December 2014, 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.

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, 23 March 2015

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.