

Insightful Vision



2014 | ANNUAL REPORT

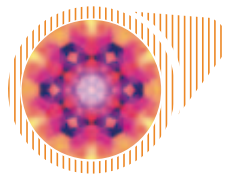
Design Concept

Insightful Vision is the theme for the 2014 annual report of Hang Lung Group Limited (stock code: 00010). The five main sections in the annual reports are represented by a global eye, a kaleidoscope, a microscope, a telescope and a hand gesture symbolizing glasses, respectively, reflecting the penetrating, multifaceted, meticulous, macroscopic and caring aspects of our “insightful vision” for creating world-class commercial projects in Hong Kong and mainland China.



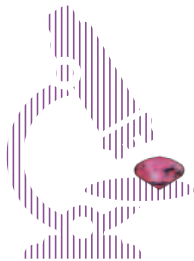
PENETRATING INSIGHTS

Sight is a precious sense. Here, the eye with the Earth as its pupil is representative of our long-term vision and insight to create incredible value for shareholders and stakeholders.



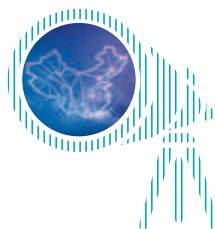
MULTIFACETED DESIGN

No two looks through a kaleidoscope are the same. In the same way, we take the breadth of vision and varied experiences of our teams to create unique world-class projects for our customers.



METICULOUS DETAIL

A microscope allows scientists to see detail invisible to the naked eye. It is representative of our meticulous attention to detail and the concentration of our vision into insightful decision-making.



MACROSCOPIC VIEWS

A telescope allows us to see beyond our own world. So too is our vision not limited to our past or even current achievements, but constantly seeks to expand its horizons and mark out a new and exciting future.



CARING INSIGHTS

A human touch; a gesture that is suggestive of caring watchfulness – here we see the importance placed on being people-oriented and bringing the human touch to our relationships with clients, staff, society and the environment in which we live.

We Do It Right

We Do It Right is a principle that extends beyond our core business and embraces the initiatives we undertake on behalf of our staff, the community and the environment. We believe this is fundamental to our success and helps us win the trust of our stakeholders.

In this annual report we describe the progress we have made during the year, using meaningful metaphors that illustrate the vision, insights, experience, quality and care that we bring to all our world-class projects in mainland China and Hong Kong to create unmatched value for our cherished shareholders, tenants and customers.

As we enter an exciting new phase in our business expansion, we will continue to maintain our high standards in order to become the most admired and leading national commercial property developer in Hong Kong and mainland China.



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Corporate Profile

Hang Lung Group Limited (stock code: 00010) is one of the most established listed companies in Hong Kong with more than 50 years of experience in the property development market. Through Hang Lung Properties Limited (stock code: 00101), we have built a leading reputation as a top-tier property developer in Hong Kong and on the Mainland, with a recognized commitment to quality.

Hang Lung Group's businesses in Hong Kong include property development for sale and lease. Our substantial portfolio encompasses well-planned large-scale commercial, office and residential developments in prominent locations.

We made our first investment on the Mainland in the early 1990s as the foremost step in our future business expansion. Adhering to the strategy of developing prime sites in major cities, our portfolio of investment properties currently comprises two large-scale developments in Shanghai – the commercial, office and residential complex Grand Gateway 66, and the commercial and office complex Plaza 66. Together with our prime landmark complexes of Parc 66 in Jinan, Riverside 66 in Tianjin, as well as Palace 66 and Forum 66 in Shenyang, we are vigorously building on our successes to develop similar properties in major cities including Wuxi, Dalian, Kunming and Wuhan.

We will continue not only to expand our horizons on the Mainland, but also to invest in our portfolio in Hong Kong, as we aim to become the most admired and leading national commercial property developer of the highest quality in the market.



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Financial Highlights

RESULTS

For the year ended December 31

in HK\$ Million (unless otherwise stated)	2014	2013
Turnover		
Property leasing	7,792	7,216
Mainland China	4,354	3,984
Hong Kong	3,438	3,232
Property sales	9,814	2,518
Total turnover	17,606	9,734
Net profit attributable to shareholders	6,825	4,557
Dividends	1,097	1,079
Shareholders' equity	76,026	70,572
Per share data		
Earnings	\$5.04	\$3.38
Dividends		
Total	\$0.81	\$0.80
Interim	\$0.19	\$0.19
Final	\$0.62	\$0.61
Shareholders' equity	\$56.1	\$52.3
Net assets	\$106.8	\$101.0
Financial ratio		
Payout ratio	16%	24%
Net debt to equity ratio (Note 1)	Net cash	3.9%
Debt to equity ratio	27.7%	33.0%

UNDERLYING RESULTS

For the year ended December 31

in HK\$ Million (unless otherwise stated)	2014	2013
Underlying net profit attributable to shareholders (Note 2)	5,730	3,071
Earnings per share (Note 3)	\$4.23	\$2.27
Payout ratio (Note 3)	19%	35%

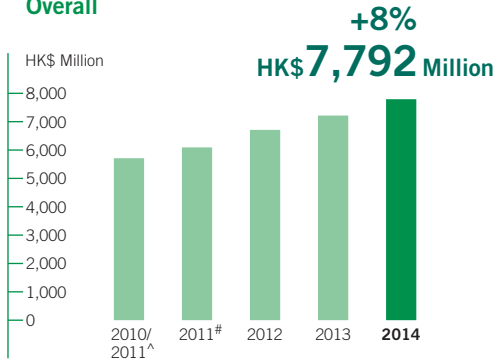
Notes:

1. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.
2. To facilitate a better understanding of the Group's operational results, underlying net profit attributable to shareholders is presented by excluding the effect of adopting Hong Kong Accounting Standard 40, Investment Property, which requires changes in fair value of investment properties and investment properties under development, net of related deferred tax and non-controlling interests be accounted for in profit or loss.
3. The relevant calculations are based on the underlying net profit attributable to shareholders.

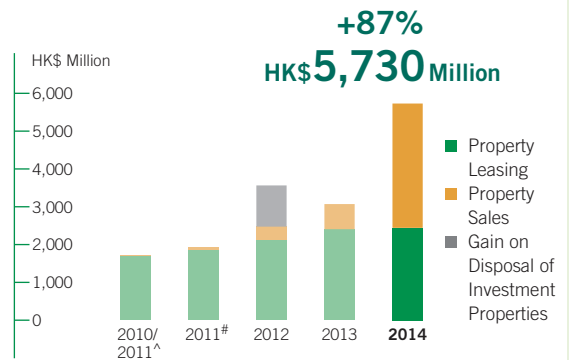
SUSTAINABLE TURNOVER AND PROFIT GROWTH

Rental Turnover

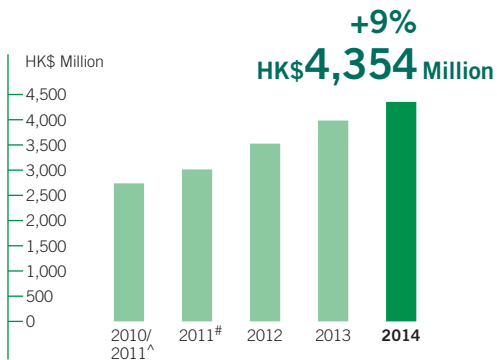
Overall



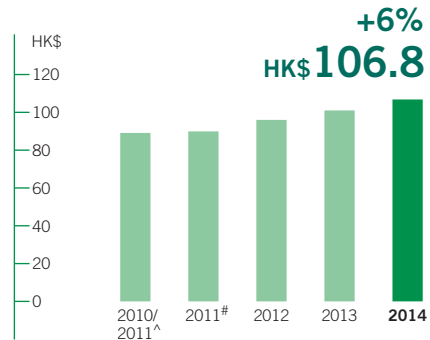
Underlying Net Profit



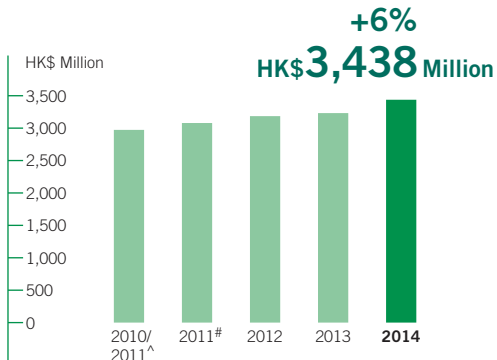
Mainland China



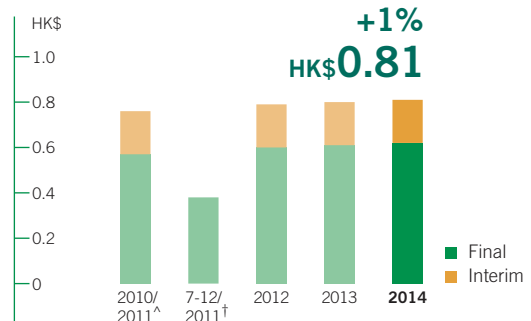
Net Assets per Share



Hong Kong



Dividends per Share



[^] Financial year ended June 30

[#] The financial period represented 12-month period covering from January 1, 2011 to December 31, 2011 due to the change of financial year end date from June 30 to December 31

[†] Final dividend for the six-month financial period from July 1, 2011 to December 31, 2011

2014 Highlights

Remarkable Results

Turnover

HK\$17,606 Million **↑81%**

Operating Profit

HK\$13,406 Million **↑85%**



Strong Financial Position



Net Assets at year end

HK\$145 Billion

Cash and Bank Balances at year end

HK\$40 Billion

Record High Property Sales

Property Sales Turnover

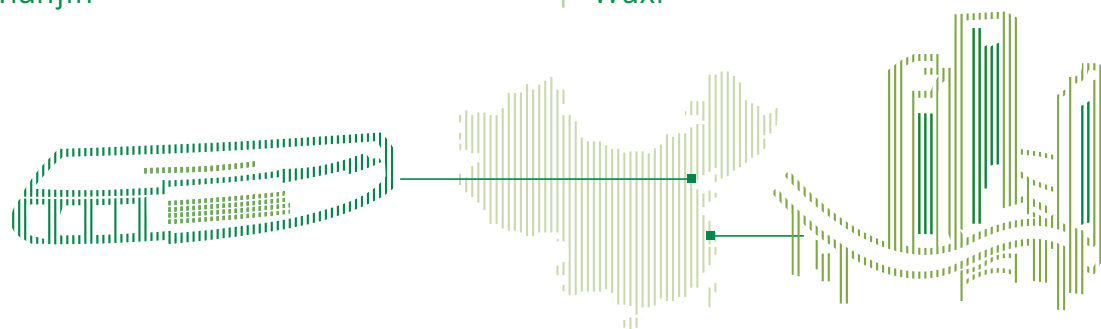
HK\$9,814 Million **↑2.9 times**



New Properties in Mainland China Commenced Operation

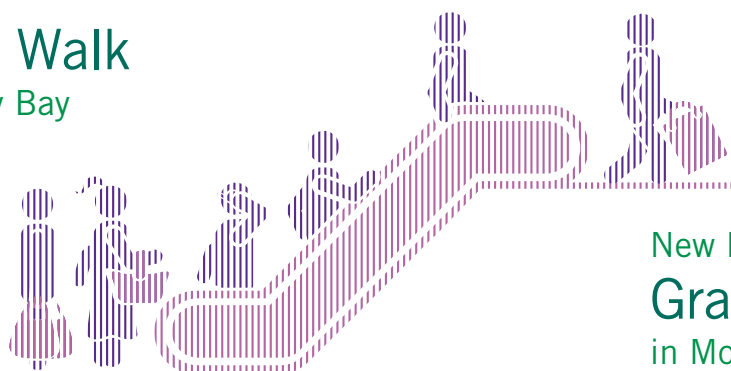
Riverside 66,
Tianjin

Center 66 Office Tower,
Wuxi



Asset Enhancement Initiatives in Hong Kong

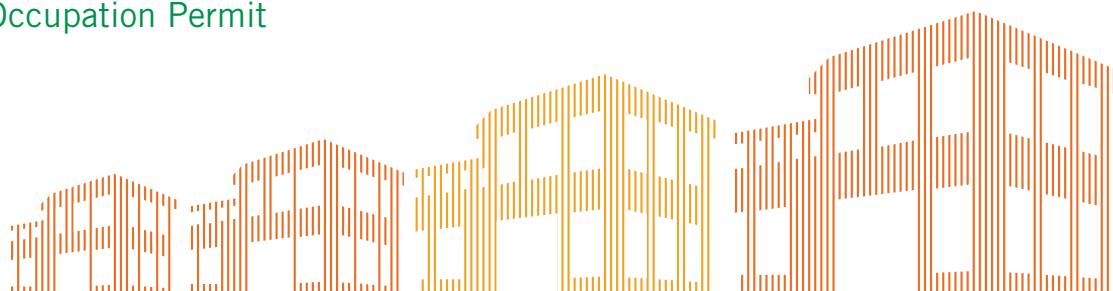
New Face of
Fashion Walk
in Causeway Bay



New Look of
Grand Plaza
in Mongkok

Completion of 23-39 Blue Pool Road in Hong Kong

18 luxurious semi-detached houses obtained
Occupation Permit



Penetrating Insights



Hang Lung established itself in mainland China in the 1990s and by the turn of the new millennium had already successfully expanded its market into China's second-tier cities with a portfolio of world-class commercial complexes. In 2015, with the opening of Olympia 66 in Dalian, and the phased completion of our core asset enhancement initiatives, Hang Lung is poised to advance further into a glorious era of insightful evolution and penetrating growth.

The HarbourSide,
Hong Kong



Palace 66,
Shenyang



23-39 Blue Pool Road,
Hong Kong



Chairman's Letter to Shareholders

RESULTS AND DIVIDEND

Compared to the last financial year, turnover for the year ended December 31, 2014 advanced 81% to HK\$17,606 million. Net profit attributable to shareholders rose 50% to HK\$6,825 million. Earnings per share increased similarly to HK\$5.04.

When excluding all the effects of revaluation gains, the underlying net profit after tax leaped 87% to HK\$5,730 million. Underlying earnings per share likewise surged to HK\$4.23.

The Board recommends a final dividend of HK62 cents per share, an increase of 1.6% from a year ago. If approved by shareholders, total dividend per share for the year ended December 31, 2014 will be HK81 cents, which is 1.3% higher than that in 2013.

BUSINESS REVIEW

Our major subsidiary Hang Lung Properties was able to almost sell out the remaining The HarbourSide units and part with 151 The Long Beach apartments. As a result, both turnover and profit for the year were very strong. Profit margins achieved in both projects were higher than that in all previous sales.

In the past I have, on this platform, explained the cause of runaway prices of Hong Kong housing since the mid-2000's, so I will not elaborate further here. Only with the incoming of the present government have serious actions been taken to moderate price growth. If it continues with its current land policy – and there is every reason to believe that it will – then sooner or later supply and demand will reach an equilibrium.



Ronnie C. Chan
Chairman

Since it would take a few years for land supply to catch up after more than a decade of very low supply, for the time being, we may see housing prices continue to rise. However, imagine what heights they would reach had the present government not taken any decisive actions in the past two years!

Demand for smaller units which are more affordable in terms of total sales price is particularly strong. This tells us that overall price levels are still high, and there is still plenty of pent-up demand. But increased supply will one day suppress price growth. No one, especially not the government, wants to see falling prices, but neither are runaway prices desirable, as we have witnessed in the second half of the 2000's. In fact, it has already created tremendous social problems which only a healthy residential market can help alleviate.

It is based on the belief that the government will continue to do the right thing (i.e. supply more land) that we have decided to sell down if not sell out our portfolio of completed apartments. Profit margins have already reached a rather high level and we should not risk missing the market. Nowadays the world is an uncertain place, and happenings elsewhere, whether by design or by accident, can change market sentiments very quickly. Realizing profit by monetizing inventory becomes a prudent thing to do. Conditions permitting, we will sell even more.

Hong Kong retail rental has slowed down. For the first time in well over a decade, the city's total retail sales in 2014 has fallen slightly from the year before. The role played by Mainland tourists cannot be denied. While the number of visitors continued to climb, they have spent less on luxury products. This must be related to the anti-corruption campaign on the Mainland which shows no sign of abating.

Of late there has been a troubling phenomenon in Hong Kong. There were incidents where mainland Chinese were publicly made to feel unwelcome. This is human nature and we have witnessed similar occurrences in Singapore. Such prejudice is frankly unwarranted. The only difference between the local residents and the visitors is that the former have achieved middle-class status earlier. Not respecting others simply degrades one's own self-respect.

Yet Hong Kong will do well to remember that every action will elicit a reaction. Many Mainlanders are already saying that visiting Hong Kong is no longer as pleasant an experience as before. We should be clear about who our "client" is. Mainland shoppers are frankly a major economic force which keeps our city basically fully employed. People should not be so foolish as to bite the hand that feeds them. Our economy is now highly dependent on the Mainland and its visitors.

Conversely, Mainland's need for Hong Kong is on the wane. One study shows that in 1997 at the time of the city's return to her Motherland, as much as 20% of the Mainland economy was in one way or another tied to Hong Kong. Now this number is less than 2%. For us to not recognize these changes is nothing less than foolish. Of course Beijing would much rather than not receive help from Hong Kong in the nation's continued economic development, but everything has a price. They have alternatives.

Whereas Beijing's anti-corruption efforts affect Hong Kong, their impact is felt much more keenly on the Mainland. Retail sales of some of our tenants cannot be spared. Yet the toll is perhaps felt more acutely by the department store business. When retail sales are strong, everyone gets a share sufficient to at least survive, while a few like us thrive. When sales are slow, department stores, as an inferior retail model, may feel the impact the most. This can be detrimental to the more feeble players.

A few years ago, many analysts asked me about the merits of malls versus department stores. I am obviously biased but nonetheless I shared my views. I believe that department stores as a major distributor of luxury goods are inherently inferior to shopping centers. With or without the present difficulties, they will lose market share, although I do not believe they will disappear altogether.

In the past year, it seems that more and more capital market practitioners are coming around to my view. I remember a few years ago a neighboring department store which was part of a rather strong chain simply closed soon after one of our malls opened.

We do not concern ourselves with constructing a massive amount of residential units for sale on the Mainland; rather, we only build high-end units that are part and parcel of our larger commercial complexes. Nevertheless, the former can affect our business. For example, many large housing projects have a retail element. Although they are community malls, which are different from our regional ones, they will nonetheless draw some footfall away.

The Mainland housing market is an extraordinarily complicated one. The reason I want to touch upon it briefly is that investors everywhere – and especially in the West – are concerned with it. Some analysts and institutional investors have long predicted that the bubble will burst. They think that it is one of the greatest threats to the Mainland economy that could potentially end its growth. As a result, many foreign investors have in recent years forsaken the China market. They are eagerly awaiting disaster.

I do not share this view. It is not that the dollar amount involved is not huge. It is just that the problem is much smaller and in any event more manageable than most think.

Take for example the so-called “ghost towns” where blocks and blocks of overbuilt units are lying empty. From a simple observation, some deduce that the residential market would soon crash. After all, if this took place in the West, surely the market would fall.

This conclusion misses several critical factors. First, in China, the purchasers of those units have, for the most part, very small mortgages outstanding. Many simply paid all cash up front. So when there is little or no debt, how can the market tumble?

Take for example a group of individuals who supposedly owns a lot of such empty buildings, such as the coal tycoons of Shanxi Province and Inner Mongolia. There are simply too few investment instruments domestically to absorb the huge wealth they have amassed. The stock market is at its infancy stage; the bond market is almost non-existent; the insurance and investment fund industry is underdeveloped; precious metal trading is restricted; and investing overseas is heavily regulated through foreign exchange control. The only place to park a large sum of money is to buy real estate, and sometimes to buy up entire residential blocks. Even if there is little chance for price appreciation, at least there is, at the end of the day, bricks and mortar with the land underneath it. In principle, the same applies to all Mainland people with money to invest.

All these conditions are absent in developed economies. Investment professionals using a Western paradigm to judge the odd Chinese market will most likely arrive at erroneous conclusions.

This is on the side of home purchasers. Housing providers have a different story but it leads to the same conclusion. Banks, mostly state-owned, have been reluctant to bankrupt the highly geared developers who are strapped for cash. As I have told Chinese friends in and outside of the government, the economic and social impact of putting such people under is rather low. There is hardly obsolescence in real estate and weak players can easily be taken over by stronger ones without creating unemployment. Alternatively, resolution trust-like structures can be set up to take over the bankrupt entity with its real assets. Once the market recovers, the trust can then orderly dispose of the properties. All these can be done in ways that would minimize the negative impact on societal sentiment and so contain contagion effects of bankruptcies.



The Peak Galleria,
Hong Kong

That said, by historical standards, Mainland developers today are not that highly geared. In the final 3-4 months of last year, pent-up demand pushed up transaction volume if not prices, so much so that the first three quarters of slow market notwithstanding, the industry ended the year with higher volumes and total sales turnover than 2013.

So looking at this landscape, I do not believe the property market will be in serious trouble. If I am correct, then many foreign experts will be sorely disappointed!

One other point deserves some attention. While home prices did not rise significantly in the market recovery of the last quarter, land auctions in first-tier cities, especially Beijing and Shanghai, have seen record prices. The same is not true elsewhere. This is a phenomenon which I have long observed and is similar to the story of New York City in the U.S. Properties in Manhattan have had for a long time the highest unit price among all American cities. Prices there tend to increase the most in bull markets and fall the least in bear markets. Moreover, the better the location, the more this is the case. The same will be true in Beijing and Shanghai. Like New York City, these are unique metropolises that stand out.

PROSPECTS

It is very difficult, if not impossible, for an ordinary citizen like me to know when China's anti-corruption campaign will let up. But regardless of timing, the luxury goods market in which we play will sooner or later find its "new normal". We should be psychologically prepared as the new level may be lower than the heyday of pre-2013. What is certain, however, is that the market will resume its growth from there.

The rise of the middle-class in the past two decades has been nothing less than phenomenal, and this trend will continue for decades to come. This is due partly to urbanization which can only march forward briskly. Last year alone, over 18 million people from the countryside moved to the cities. According to one study, China had a middle-class population of 230 million people in 2012 and it is expected to grow to 630 million by 2022. Literally hundreds of millions of people are moving up the economic ladder. As they progress, their tastes and requirements will mature. Most city dwellers, who already account for over 54% of the nation's 1.37 billion citizens, will sooner or later become customers of our malls like that of Shanghai Grand Gateway 66. A smaller percentage will rise to the level of the likes of Plaza 66. When the consumer base is so huge, even a small portion of it in each of our cities is a significant number.

In Hong Kong, rental increase may approximate that of the year just reviewed or be slightly better. I do not expect particularly exciting or difficult news from the market. Since we have, in the past two years, begun to upgrade many of our properties, improvement in rents therefrom can be reasonably expected.

As long as Hong Kong's residential market holds up, we will sell more completed apartments. The omen is good, although we do not know yet how much we can do. We will continue to time the market and maximize profit margins.

In the past several months, there have been many personnel changes on the Board. Our Non-Executive Vice Chairman Mr S.S. Yin and Independent Non-Executive Director Dr H.K. Cheng have both indicated that they will not stand for re-election at the coming Hang Lung Group Annual General Meeting (AGM) on April 29. Personally and on behalf of the Board, I would like to thank them for their long years of service.

Mr Yin, or S.S. as he is known to friends, joined Hang Lung Development, the predecessor of Hang Lung Group, as Executive Director in 1971. Upon the death of our founder in 1986, then Managing Director Mr Thomas T.T. Chen took over the chairmanship and S.S. was promoted to Managing Director. S.S. retired in 1992 and became Non-Executive Vice Chairman until now.

Trained as a banker, S.S., together with Mr Nelson Yuen who later succeeded him as Managing Director, shepherded the Company through the difficult period of the mid-1980's and restored its financial health. He will be remembered for his many contributions to the Company.

Dr H.K. Cheng joined as Non-Executive Director in 1993. He is among the most distinguished structural engineers of his time, not only in Hong Kong but also internationally. Later in his career, he became active in civic affairs, having served in different capacities including member of the Legislative Council. He has chaired many government-appointed advisory bodies and educational institutions. At Hang Lung, he has ably headed various Committees of the Board.

I am pleased to announce that your Board has elected two equally distinguished leaders – barrister Mr Martin Liao and Professor Lap-Chee Tsui. They serve as Independent Non-Executive Directors of the Group until the coming AGM when they will stand for election by shareholders. We are still searching for additional qualified individuals to serve as Non-Executive Directors.

Mr Liao is a top barrister in Hong Kong. He is one of the members of the Legislative Council representing the business community and has considerable knowledge of the Mainland.

Professor Tsui is the immediate past president of the University of Hong Kong. A renowned biological scientist, he is engaged in many education and not-for-profit entities in Hong Kong and on the Mainland.

Recently the Directors have devised the term and age limits as principles to guide future operations of the Board. This should strengthen our corporate governance further. We endeavor to devise the most appropriate board structure that befits our Company and our industry while recognizing that there is no single perfect model.



Fashion Walk,
Hong Kong

For example, it is absolutely essential that Non-Executive Directors remain “independent” of management so that they can adequately protect the interests of all shareholders. In this regard, I believe our existing standard is high.

To illustrate, our Nomination and Remuneration Committee (NRC) comprises only Independent Non-Executive Directors. They exercise absolute power to determine the salaries and bonuses of all Executive Directors including the Chairman. This has been our practice since we formed the NRC in the early 2000's. It is highly doubtful that other companies in our sector practice that.

Term limits are meant to ensure independence. However, a properly functioning board must satisfy several criteria of which independence is just one. For example, the knowledge and experience of longer serving directors gained over the years are invaluable; newer directors without such background cannot easily acquire the same level of sophistication and insight. Moreover, in some circumstances, the board can actually be the constant while the company is undergoing management change. This is important, just as the independence of directors is important. Do we have to choose one over the other or can we have both? I would like to have both, or at least have much independence and some experience.

Problems arise when ideological people recognize one virtue and not the other. Physical science and mathematics are exact, and morality should be absolute. But like other disciplines of social science, management and corporate governance are neither exact nor absolute. They are an art as much as a science. Finding the right balance is the key to sustainable success.

Modern corporations as we know them are creations of the West, and so is corporate governance. They are very useful institutions, and all business leaders will do well to learn about them. We have strived to do just that. Yet no model of board structure or governance practice can claim perfection, and all of us should try to constantly improve in both areas. Moreover, a model may have its strengths and also its weaknesses. It may work well in one place but not in another. There are also significant differences from industry to industry.

Take for example quarterly reporting which some religiously advocate. Reporting to shareholders in a timely fashion is of course good, but it also breeds short-termism. In places where management owns few shares, the problem is particularly serious. Manipulation of quarterly results and even share prices becomes common practice. This is indeed one of the weaknesses of the prevailing Western model.

In much of Asia, the presence of a controlling shareholder or shareholding family, while having its own challenges, can avoid this. The issue is not whether there is such a shareholder but rather how good the regulatory regime is to minimize irregularities. Although not perfect, Hong Kong's capital market does quite well in this regard. In some areas, we are far more stringent than even the New York Stock Exchange. The recent IPO of Alibaba illustrates this well: Hong Kong will not accept unequal values to shares while New York does. We paid a huge price for it – Alibaba decided against listing in Hong Kong.

Another example is whether the board is given the authority to quickly issue certain amount of shares when necessary. Some ideological people with less practical experience in running a business would oppose this. We of course recognize the possible problems that such an authority may create – the major shareholder diluting minority shareholders' interest, which is not right. No one can dispute the fact that in our long history, we have never done this. Yet I still oppose the limiting of that authority because it neglects market realities.

In a fast-moving and volatile market environment like Asian real estate, opportunities can suddenly present themselves and can disappear equally quickly. Management must have the liberty to raise funds quickly, overnight at times, to take advantage of them. Raising equity by share placement can be the most appropriate means to achieve this. Setting limits on how much can be done is obviously needed, but to take away this ability is an overregulation that stifles market activities. We must recognize that overregulation can at times be as problematic as underregulation. A balance must be struck.

At the end, nothing can replace management integrity. This is where we strive to excel. In this regard, I like to think we stand out in our market and in our industry.

I want to take this opportunity to thank all of our shareholders for their trust in us, especially those who have stayed with us for a long time. Appreciation also goes to my many colleagues who have together worked diligently to make Hang Lung a great company.

Ronnie C. Chan

Chairman

Hong Kong, January 26, 2015

ADDENDUM TO CHAIRMAN'S LETTER TO SHAREHOLDERS

To Our Shareholders

Subsequent to our latest Board meeting on January 26 which was also the date of my last letter to shareholders, we have had two very competent individuals joining your Board.

A qualified accountant from the United States and Canada, Mr George K. Chang has for the past 30 some years engaged in the accounting profession as well as in the management of companies and in investment. For over two decades, he has been associated with Morningside Asia which invests in the region including mainland China. Morningside is the investment arm of my family. George is a Non-Executive Director of the Company.

Given the imminent retirement of two senior directors, Mr S.S. Yin and Dr H.K. Cheng, the Board is short on long-serving Non-Executive Directors. Professor Pak Wai Liu, an Independent Non-Executive Director of Hang Lung Properties Limited (HLP), has agreed to join our Board with the understanding that when his term at HLP is expected up in 2016, he will not seek re-election. As records show, since 1997, we have not appointed Non-Executive Directors who serve on both Boards. This practice will continue.

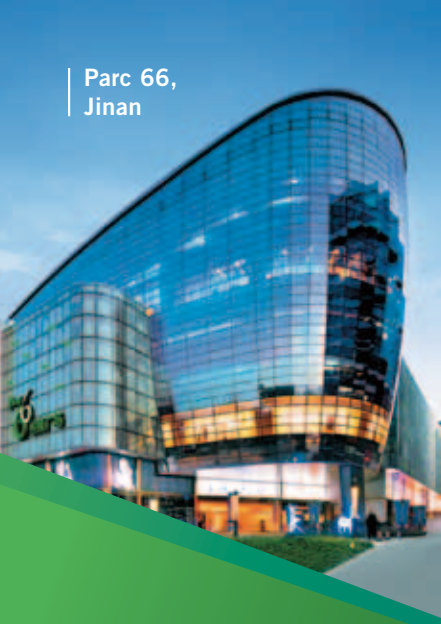
I am confident that the new appointments will greatly strengthen the Company.

Ronnie C. Chan

Chairman

Hong Kong, March 11, 2015

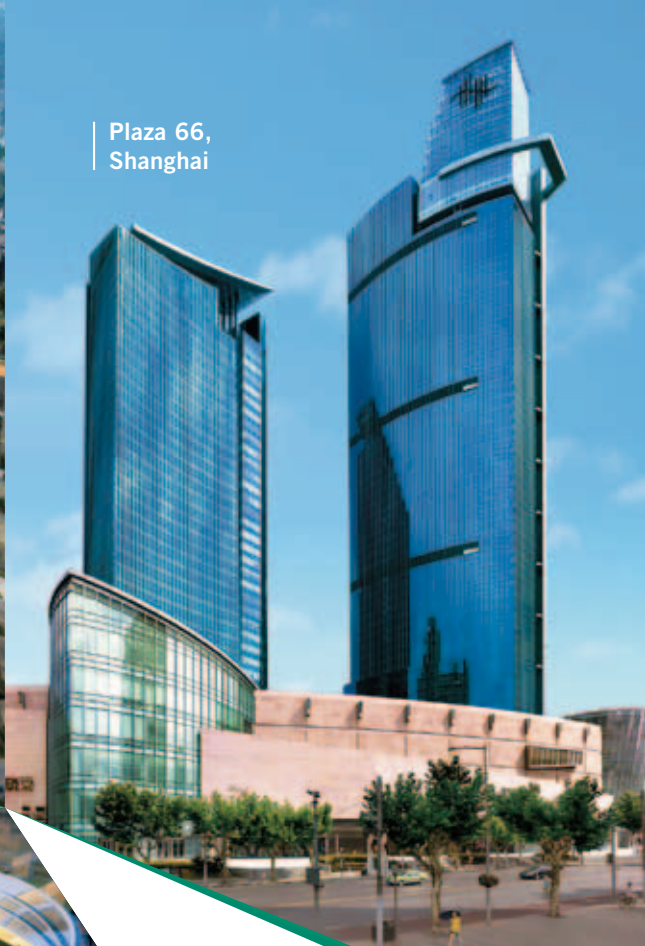
Parc 66,
Jinan



Center 66,
Wuxi



Plaza 66,
Shanghai



Heartland 66,
Wuhan



Olympia 66,
Dalian



Spring City 66,
Kunming



FASHION WALK



Fashion Walk,
Hong Kong

GRAND PLAZA 雅蘭中心



Grand Plaza,
Hong Kong

Grand Gateway 66,
Shanghai



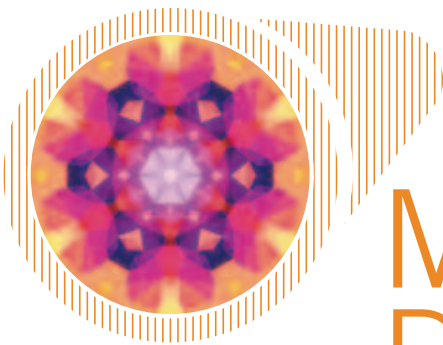
Riverside 66,
Tianjin



Palace 66,
Shenyang



Forum 66,
Shenyang



Multifaceted Design

The Hang Lung brand is renowned for world-class developments designed by outstanding international architectural firms and showcasing perfect unity of aesthetics, creativity and practicability, topped with impeccable service standards. Our holistic approach to design has delivered consistently high standards in providing our customers with the ultimate lifestyle and shopping experiences.



Management Discussion and Analysis

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■ Kunming

Hong Kong ■

Wuhan ■

Jinan ■

Tianjin ■

■ Shenyang

■ Dalian

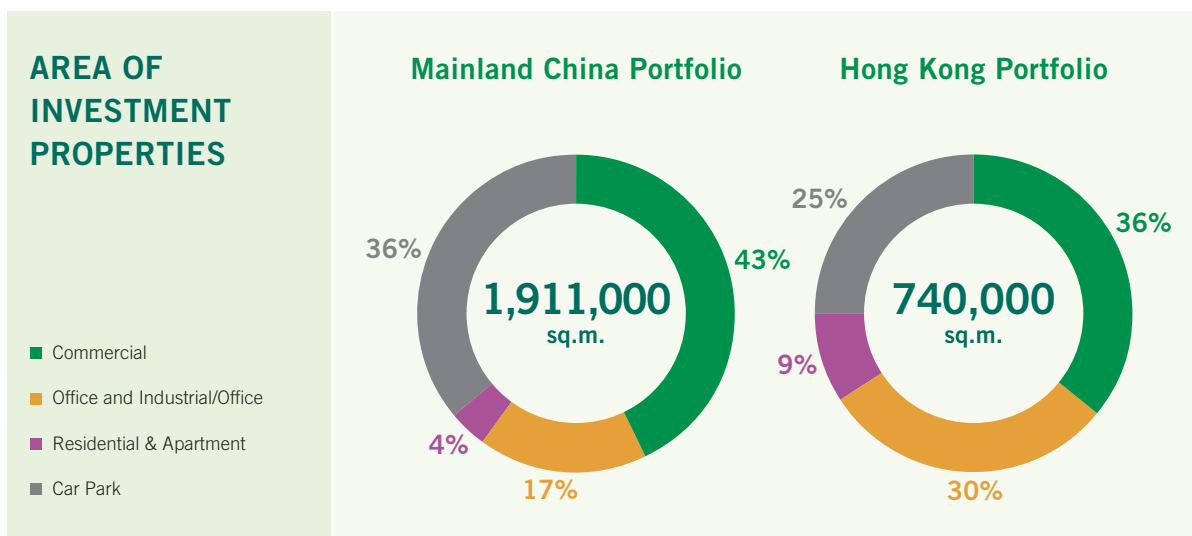
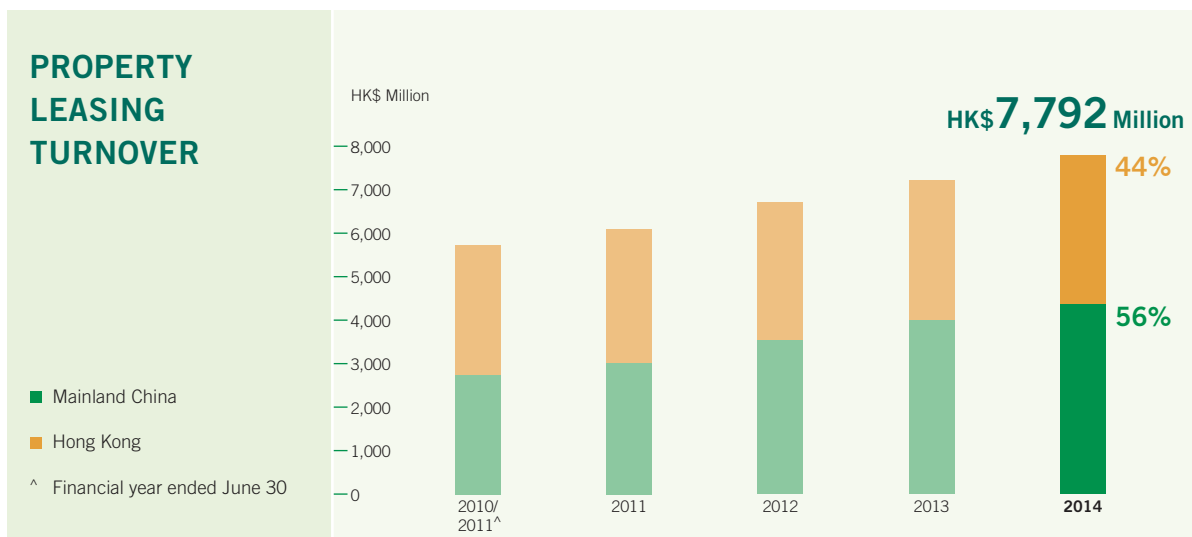
Wuxi ■

■ Shanghai

Business Overview

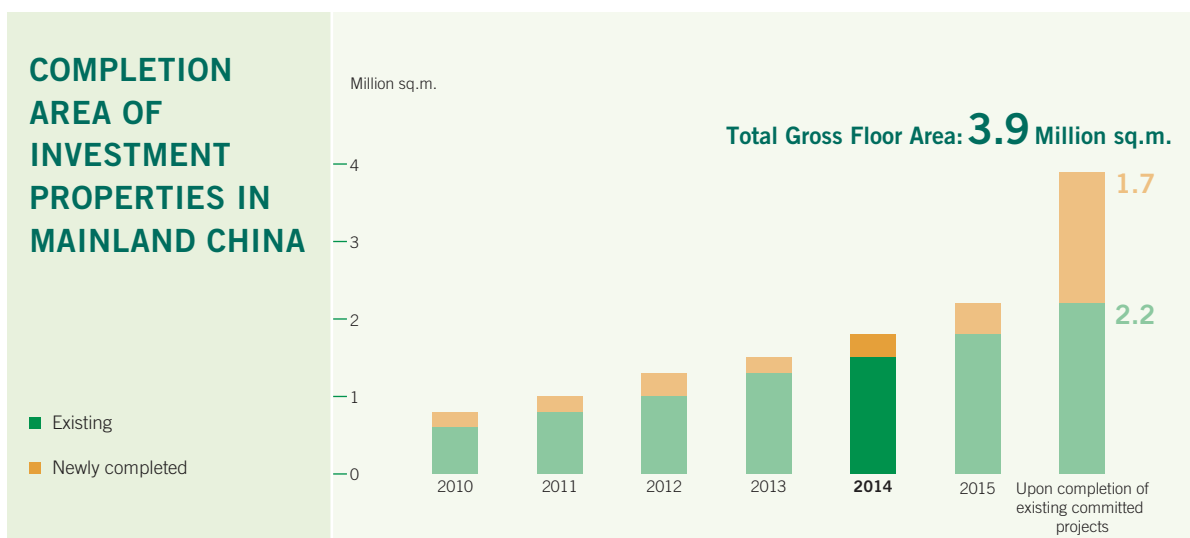
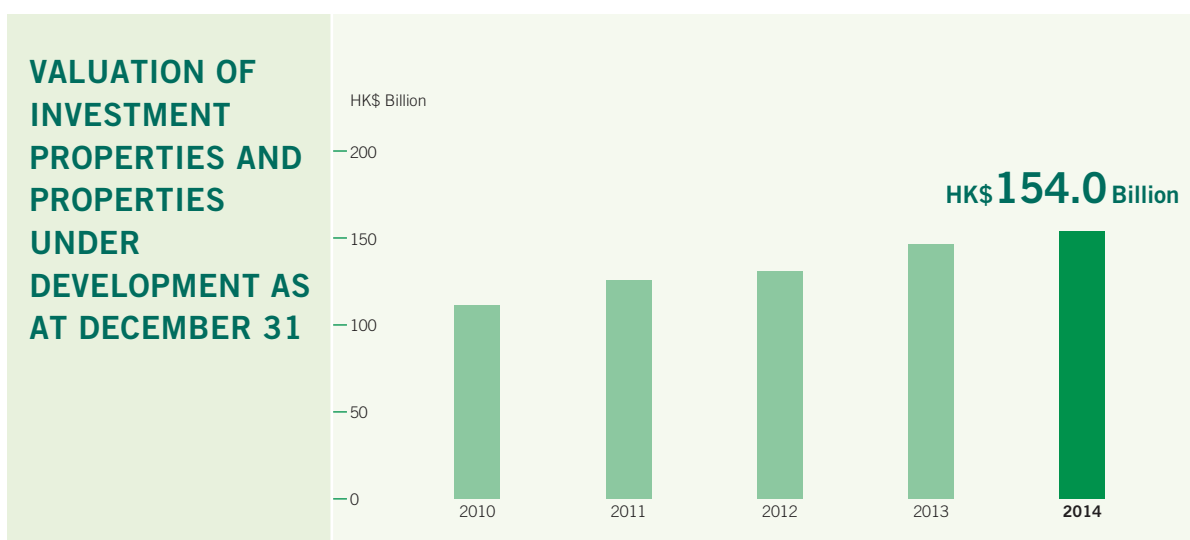
Upholding the We Do It Right business philosophy, Hang Lung Group remained committed to building world-class commercial projects in key mainland cities and to enhancing our core assets, amidst the ephemeral challenges in the external environment.

In 2014, Hang Lung Group reported continual growth of mainland China and Hong Kong property leasing portfolios. Couple with taking advantages of improved Hong Kong residential market sentiment, the Group achieved strong financial results.

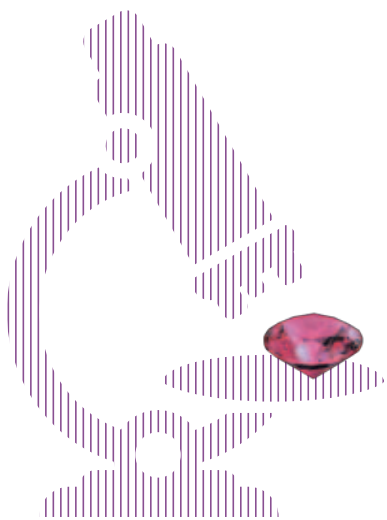


For the 12-month period ended December 31, 2014, our core business, property leasing continued to achieve steady growth in a challenging business environment in mainland China and Hong Kong. Property leasing turnover and operating profit rose 8% and 4% to HK\$7,792 million and HK\$5,987 million, respectively.

Riding on improved sentiments in the Hong Kong residential market, the Group launched the sales campaigns for The Long Beach and The HarbourSide in 2014. As a result of the sale of a total of 412 residential units and some car parking spaces, our property sales turnover reached HK\$9,814 million. Overall profit margin realized was 75.6%.

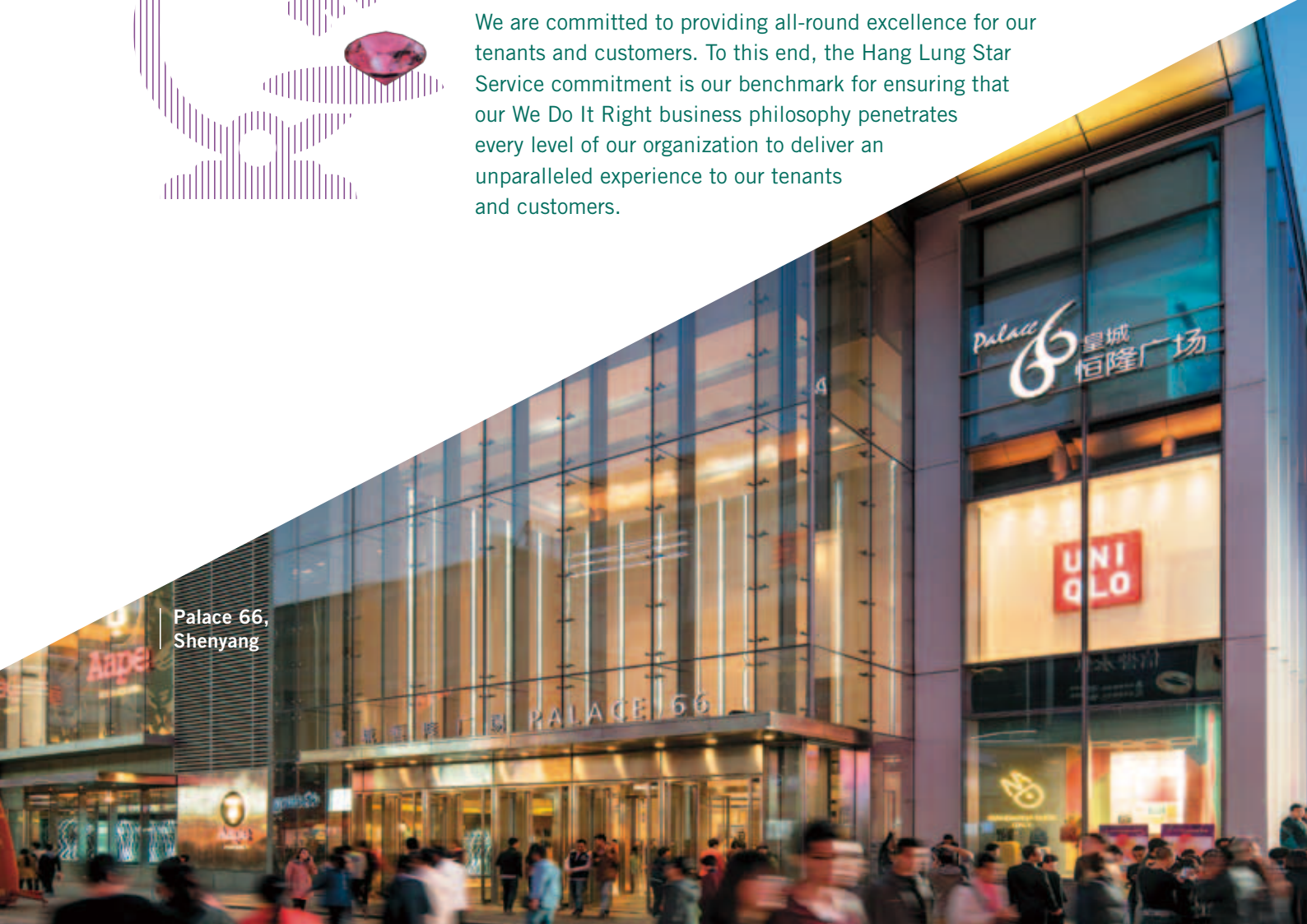


Plaza 66,
Shanghai



Meticulous Detail

We are committed to providing all-round excellence for our tenants and customers. To this end, the Hang Lung Star Service commitment is our benchmark for ensuring that our We Do It Right business philosophy penetrates every level of our organization to deliver an unparalleled experience to our tenants and customers.



Palace 66,
Shenyang



The Peak Galleria,
Hong Kong



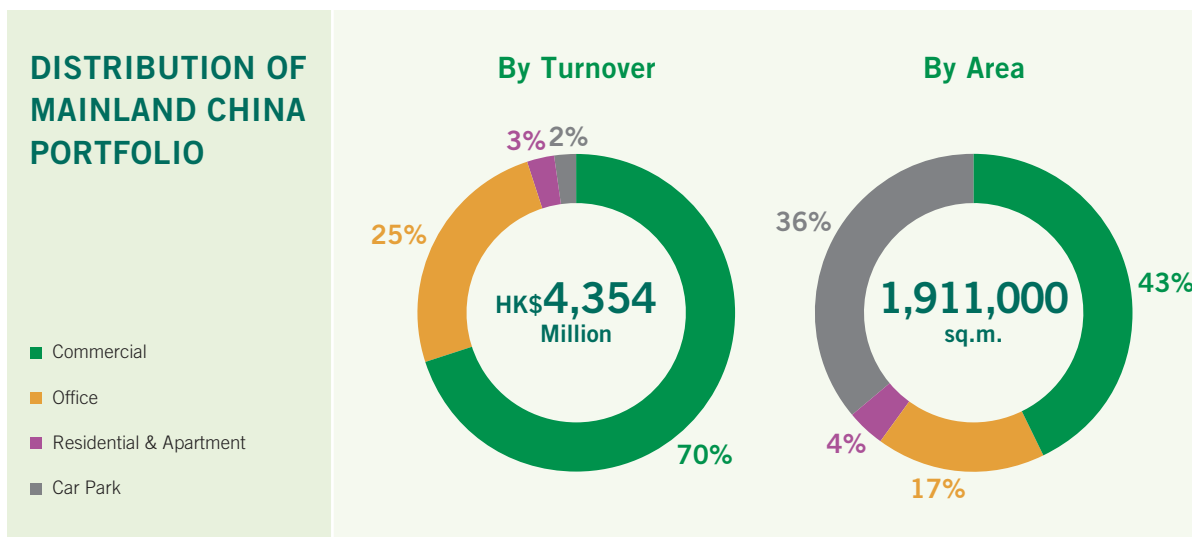
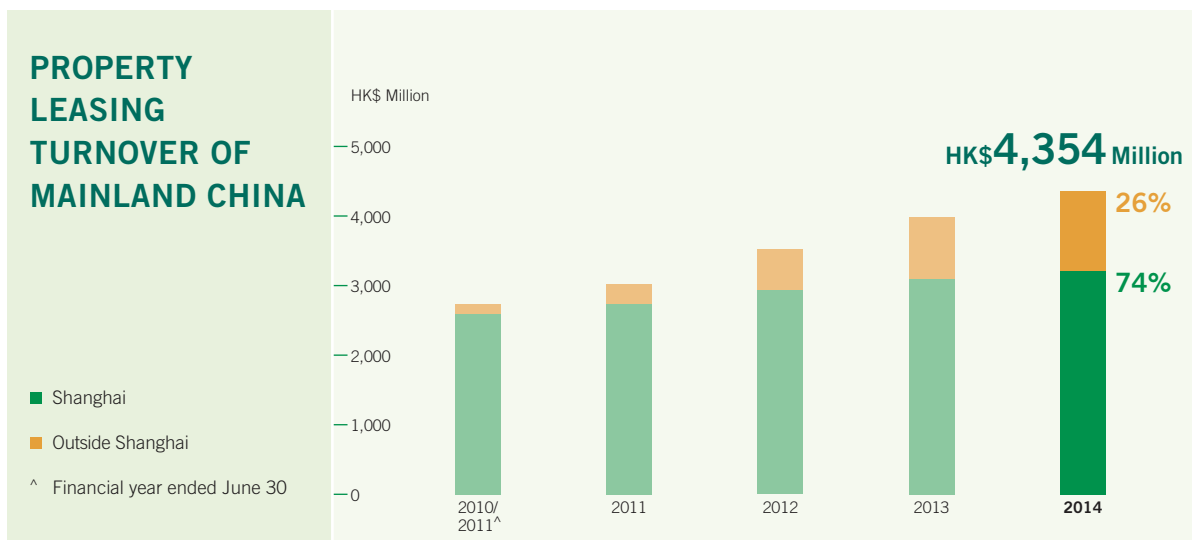
Fashion Walk,
Hong Kong



Center 66,
Wuxi

Mainland China Property Leasing

Rental turnover generated by our mainland China property leasing portfolio advanced by 9% to HK\$4,354 million for the year ended December 31, 2014.



Our Shanghai properties, which accounted for 74% of total turnover of our mainland China portfolio, continued to deliver a stable performance, with a rental growth of 4% in 2014. Investment properties outside Shanghai contributed HK\$1,141 million to the Group's rental turnover. That included the full year impact of the Center 66 shopping mall and the additions of Riverside 66 shopping mall as well as the office tower of Center 66 during the second half of 2014.

With the openings of Riverside 66 in Tianjin and the office tower of Center 66 in Wuxi, total gross floor area of the investment properties of the Group operating in five cities on the Mainland increased to 1,911,000 square meters, comprising 1,513,000 square meters of commercial area (including car parks), 315,000 square meters of office spaces and 83,000 square meters of residential and apartments areas. Total retail sales of our shopping malls in mainland China exceeded RMB10 billion in 2014.

SEGMENTAL ANALYSIS OF MAINLAND CHINA INVESTMENT PROPERTIES

For the year ended December 31

	Rental Turnover (HK\$ Million)		Occupancy Rate (%)		Total Gross Floor Area [#] ('000 sq.m.)	
	2014	2013	2014	2013	2014	2013
Commercial	3,064	2,695	89	93	827	674
Office	1,083	1,059	70	94	315	227
Residential & Apartment	145	181	67	89	83	83
Car Park	62	49	N/A	N/A	686	576
Total	4,354	3,984	79	93	1,911	1,560

[#] Including gross floor area above and below ground

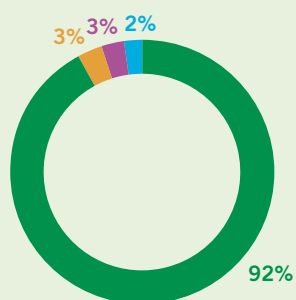
BRIEF ON PROPERTIES

PLAZA 66, SHANGHAI



Renowned as one of the most successful commercial complexes in mainland China, Plaza 66 comprises a five-story high-end shopping mall, houses a number of renowned luxury goods and fashion brands, and the two prestigious Grade A office towers, soaring 66-story and 48-story, respectively, attract prominent local and international businesses as tenants. The entire complex has become one of the city's most admired landmarks.

Commercial Segment Distribution (by Base Rent)



- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others

Key Statistics

Gross floor area (sq.m.)	Commercial	53,700
	Office	159,555
	Residential/ Serviced Apartment	N/A
Number of car park spaces		804
Occupancy rate	Commercial	96%
	Office	91%
	Residential/ Serviced Apartment	N/A
Number of shopping mall tenants		120

GRAND GATEWAY 66, SHANGHAI

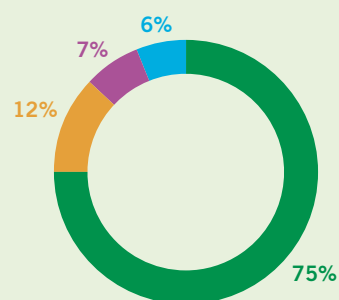


Located at the commercial hub of Xujiahui, Grand Gateway 66 is an interconnected complex comprising a shopping mall, office towers, residential and serviced apartments. Grand Gateway 66 has a unique and contemporary style that sets it apart from similar developments in the city.

The shopping mall of Grand Gateway 66 offers unmatched opportunities for business and leisure. With its superb location above the Xujiahui station, Grand Gateway 66 is a true one-stop shopping complex in Shanghai.

The two 51-story office towers of Grand Gateway 66 house prominent local and international businesses as tenants. Serviced apartments at Grand Gateway 66 comprise of three buildings offering 629 suites for lease.

Commercial Segment Distribution (by Base Rent)



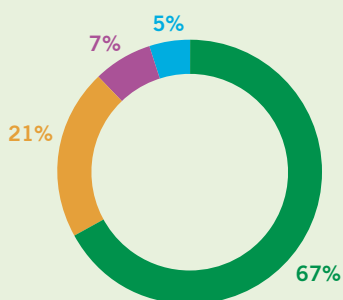
Gross floor area (sq.m.)	Commercial	120,188
	Office	67,200
	Residential/ Serviced Apartment	83,200
Number of car park spaces		835
Occupancy rate	Commercial	99%
	Office	96%
	Residential/ Serviced Apartment	67%
Number of shopping mall tenants		384

PALACE 66, SHENYANG



The magnificent Palace 66 shopping mall is located right in the vibrant financial and commercial heart of Shenyang. Situated on Zhongjie Lu, a famous commercial street in Shenhe district, Palace 66 houses an alluring blend of international and local brands. These encompass fashion and accessories, lifestyle and entertainment, beauty and cosmetics, as well as quality restaurants.

Commercial Segment Distribution (by Base Rent)



109,307

N/A

N/A

864

85%

N/A

N/A

190

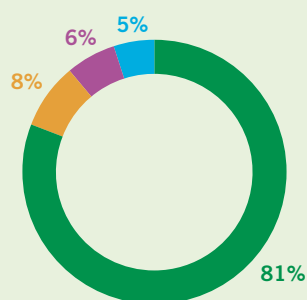
FORUM 66, SHENYANG



Forum 66 sits ideally on Qingnian Da Jie, the "Golden Corridor" thoroughfare that runs through the city center, and is close to Shenyang's best known landmarks.

The shopping mall at Forum 66 houses a number of world-leading luxury brands that have chosen Forum 66 as the home for their first stores in Shenyang. The metro line No. 2 offers direct access to Forum 66 from the station, providing an additional boost to traffic flows to the project.

Commercial Segment Distribution (by Base Rent)



101,960

N/A

N/A

2,139

93%

N/A

N/A

134

BRIEF ON PROPERTIES

PARC 66, JINAN

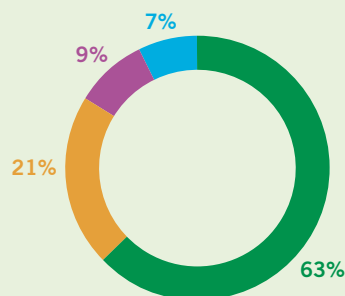


Situated on Jinan’s “Golden Avenue”, Quancheng Lu, Parc 66 introduced a number of international brands which are launched for the first time to the Jinan market. The shopping mall has been a most welcome lifestyle destination for Jinan residents with its cinema, supermarkets and cafés.

The architectural design of Parc 66 blends well with the surrounding environment. Taking its theme from the nearby lakes and springs, Parc 66 embodies a flowing design, an undulating roof, green spaces and curved façades. Its two triangular-shaped shopping buildings are linked by an undulating bridge, the Dragon at various levels.

Commercial Segment Distribution (by Base Rent)

- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others



Key Statistics

Gross floor area (sq.m.)	Commercial	171,074
	Office	N/A
	Residential/ Serviced Apartment	N/A
Number of car park spaces		789
Occupancy rate	Commercial	82%
	Office	N/A
	Residential/ Serviced Apartment	N/A
Number of shopping mall tenants		284

CENTER 66, WUXI

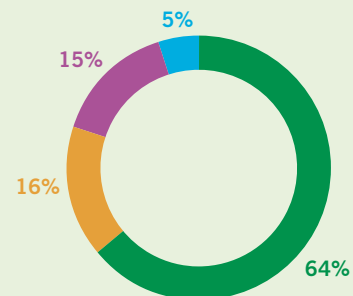


Situated ideally at the heart of Wuxi’s Chong’an central business district on Renmin Zhong Lu, Center 66 (Phase 1) is a commercial complex comprising a shopping mall and a Grade A office tower.

The shopping mall houses a selection of global brands, food & beverage outlets as well as lifestyle offerings.

The 52-story office tower of Center 66 begins operation in October 2014 and is home to a number of international and domestic leading corporations.

Commercial Segment Distribution (by Base Rent)



Gross floor area (sq.m.)	Commercial	118,135
	Office	88,560
	Residential/ Serviced Apartment	N/A
Number of car park spaces		1,292
Occupancy rate	Commercial	91%
	Office	29% (Low- and mid-zones)
	Residential/ Serviced Apartment	N/A
Number of shopping mall tenants		200

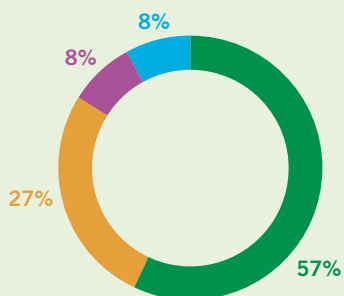
RIVERSIDE 66, TIANJIN



Located strategically in the heart of Tianjin's Haihe central business district, Riverside 66 houses an extensive tenant list encompassing an alluring mix of internationally renowned fashion brands, food & beverage outlets and lifestyle retailers. A number of tenants have also chosen Riverside 66 as the home for their first stores in Tianjin.

The unique and eye-catching architectural design of Riverside 66 extends approximately 380 meters from east to west amid the most hectic and bustling pedestrian zone in Tianjin.

Commercial Segment Distribution (by Base Rent)



152,831

N/A

N/A

800

84%

N/A

N/A

297

PLAZA 66, SHANGHAI

Our premier shopping mall in Shanghai, **Plaza 66**, enjoyed a stable rental growth of 6% in 2014.

The business environment was competitive due to the opening of new malls over the years and some affluent shoppers choosing to shop abroad. Persistent anti-grafting measures on luxury spending also affected the mall's retail sales.

Despite the vagaries of the retail environment, Plaza 66 continued to be perceived as the home of flagship stores in Shanghai and enjoyed the loyalty of a group of high-spending customers. Luxury brand flagship stores including Chanel, Escada, Tod's and Celine were further strengthened through expansion and enhancement during the year.

In the last quarter of 2014, we saw an upward trend in footfall as a result of the interest in new flagship stores at Plaza 66 and our very successful promotion campaigns.

Plaza 66 was the official sponsor of the 2014 Shanghai Fashion Week International Showcase and hosted various large-scale promotions such as Talking Fashion, a campaign that involved the participation of international brands and tenants as well as strong support from the District Government of Jing'an.



Plaza 66 continues to be perceived as the home of luxury brand flagship stores in Shanghai



Plaza 66 was the official sponsor of the 2014 Shanghai Fashion Week International Showcase

To further strengthen the prestigious positioning of the mall, enhancements will begin in phases at Plaza 66 from mid-2015. Our on-going trade mix reshuffle will bring a new look and an enriched shopping experience to the mall.

Plaza 66 Office Towers benefited from stable demand by local financial institutions for both new office space and the expansion of existing tenants' business. We welcomed several new tenants during the year such as renowned international bank Credit Agricole. Rental turnover of the two office towers at Plaza 66 remained flat compared to a year ago.

The market saw an increase of Grade A office supply in Shanghai and multinational corporations becoming more cost conscious. Although the occupancy rate of the two office towers slipped four points to 91% due to the lease expiry of a major tenant in mid year, most of the space has already been pre-leased. The occupancy rate is expected to improve with the gradual arrival of new tenants from the first quarter of 2015.

We also took the opportunity to upgrade various electrical and mechanical systems such as air-conditioning and CCTV. In 2015, one of our objectives is to further enhance our tenant mix through recruitment of quality tenants. An asset enhancement initiative of the office towers is underway which will help us stay at the forefront of the market. Enhancement works for Office Tower One is scheduled to begin in the mid-2015 and will be completed in phases by the end of 2016.

GRAND GATEWAY 66, SHANGHAI

Retail sales at **Grand Gateway 66** trended upward in 2014 and recorded a 3% gain in retail sales year-on-year. Rental turnover grew 8%. The shopping mall was almost fully let. Grand Gateway 66 continues to provide customers with varied physical shopping experience which helped make the mall resistant to the effects of online shopping. The mall also provided more choices for shoppers than competitors in terms of the trade mix and exceptional customer services.

Renowned brands including Bottega Veneta, GUCCI, Emporio Armani, Burberry, Balenciaga and Chloé opened their stores in the mall. The distinguished brand of French confectionary Ladurée and TWG Tea from Singapore also chose to open their stores at Grand Gateway 66, with the former being its first store on the Mainland while TWG Tea being the first tea shop in Shanghai.

From November 2014 onwards, Grand Gateway 66 launched a very successful branding campaign, “Where Vibrancy is Sophistication”, with a significant amount of online and offline media support.

Leasehold improvements at Grand Gateway 66 including enhancement works of the second and sixth floors were completed in September 2014.

In 2015 the mall will benefit from the installation of a new Wi-Fi infrastructure. This technology will introduce apps for in-car navigation as well as enabling restaurants to offer customers information on queuing. Both features will enhance the shopping experience at Grand Gateway 66.

The Group also plans to kick-start an asset enhancement initiative in late 2015 or early 2016.

Positioned as a mid- to high-end super-regional shopping mall, Grand Gateway 66 is ideally located for reaching customers beyond its existing catchment area, servicing not only Shanghai but also surrounding cities in Jiangsu and Zhejiang provinces. The goal of Grand Gateway 66 in introducing these software and hardware enhancement initiatives is to strengthen the mall’s overall shopping experience and attract more customers from the surrounding area.

The **Office Tower of Grand Gateway 66** experienced stable growth in 2014 despite keen competition in Puxi. The performance of **residential and serviced apartments** remained soft due to lower occupancy as a result of subdued demands from corporate clients.



Grand Gateway 66 in Shanghai welcomes new food & beverage tenants to the shopping mall after the enhancement projects on the second and sixth floors



The large-scale UK in Shenyang Week at Palace 66 introduces some of the trendiest UK products and brands to Shenyang citizens



Retail sales in Palace 66

↑ 12%

PALACE 66, SHENYANG

Against the backdrop of increasing competition in Shenyang, **Palace 66** recorded a rental growth of 4% as tenant remixing began to bear fruit. Footfall and tenant sales were on the increase, and retail sales of the mall climbed 12% despite a lower occupancy rate of 85% against the previous year.

New brands were well received by customers, including Boy London and #113潮匯 whose young and trendy fashion positioning attracted many customers.

In 2014, Palace 66 hosted several highly visible marketing events that appealed to the fashion tastes of young people, including the UK in Shenyang Week organized by the British Embassy in Beijing, the China Britain Business Council and the Shenyang Municipal Government, plus an amazing 3D performance and the final of the Dream Show. These events not only attracted great interest, particularly among young consumers and well-to-do shoppers, but were also well received by tenants, helping to improve their sales performances significantly.

Palace 66 is currently working on expanding its Wi-Fi capacity with the number of access points to be increased from 50 to 200. The work will be completed in February 2015. Once in service, the mall will be able to offer more interactive elements in promotional events. As we move into 2015, we will continue to adjust our tenant mix so as to enhance the shopping mall's uniquely inspiring, unorthodox and stylish brand identity.



Forum 66 provides customers a full diversity of desired lifestyle experiences

FORUM 66, SHENYANG

Forum 66 recorded a stable rental turnover and a 2% growth in retail sales during 2014 as a result of innovative promotional activities that provided a favorable environment for our tenants. The occupancy rate fell six points to 93% due to a change of tenant mix and the government's anti-grafting measures.

The opening of the metro connection in January 2014 and the enhancement of our hardware and software had a positive effect on the shopping mall. Footfall picked up in the fourth quarter.

The interior fitting out works of **Forum 66 Office Tower** were almost completed. Pre-leasing activities have started with a good response while the handover to tenants will be carried out by phases from the first quarter of 2015. The opening of office tower is expected to create synergistic effects with the Forum 66 mall.

PARC 66, JINAN

After operating for three years, many tenancies at **Parc 66** came to an end of the first lease cycle. This presented the Group with an opportunity to modify the tenancy profile. In 2014, Parc 66 recorded an 8% decrease in rental turnover and a lower occupancy rate by six points to 82% during the process of change.

New elements of non-conventional shopping, entertainment and lifestyle luxury have been introduced to replace the more traditional luxury spending pattern. The Trick Eye Museum, a Korean brand famous for delivering fascinating 3D experiences, successfully opened its first operation in mainland China at Parc 66 in December 2014. Other innovative arrivals in 2014 included footwear icon UGG, Gymboree for children's apparel and education, American-style diner Laya Burger and a combined book-and-café tenant Penjoy.



Joint promotions with tenants in the atrium fill Parc 66 with customers

In August 2013, the Shandong government enacted a new economic strategy in which Jinan is included as a main core city. Parc 66 is now the most popular mall in Jinan and the “go-to” destination in the region for young consumers and families with strong purchasing power.

2014 saw more joint promotions with tenants, including the World Cup Fever that capitalized on the World Cup with demonstrations of Brazilian martial arts, a freestyle soccer demonstration and samba dancing. We also celebrated the third anniversary of Parc 66 with a number of exciting events that included the chance to win a ride in a Rolls-Royce. Chinese Valentine's Day was celebrated at the same time with the micro-movie “7 Days of Love” – a heart-warming tale of love produced by Parc 66 in collaboration with a number of jewelry brands in the mall. These events boosted the overall shopping ambience and popularity of the mall.

Looking ahead in 2015, Parc 66 aims to attract customers not only from Jinan but also from surrounding cities that are about a two-hour drive away. The mall will introduce more social media channels including website enhancement. There will also be new brands that have not previously appeared in Jinan before. Under the theme of “The New Fashion of Fun”, the mall will introduce a VIC (Very Important Customer) program and other promotional activities that aim to increase footfall and tenant sales.

CENTER 66, WUXI

2014 was the first full year of **Center 66** since its opening in September 2013.

The opening of a number of exciting new shops and metro connection contributed to the satisfactory performance of Center 66. Retail sales in the last quarter of 2014 jumped 48% against the corresponding period in 2013. Average occupancy rate was 91% in 2014.

New shops include Panerai, Blancpain, Jaeger-Lecoultre, Annvita and Bluefrog which opened their first shops or flagship stores in Wuxi at Center 66 in 2014. The opening of the first Ferrari & Maserati car showroom and Apple store at Center 66 also helped enrich the tenancy and product variety of the mall.



The first Apple store in Jiangsu Province opens at Center 66, Wuxi

The pedestrian tunnel linking the basement of Center 66 to the metro station opened in October 2014, further strengthening the mall's accessibility and popularity. During the year, innovative marketing events and promotions were held using a combination of online and offline media. The mall celebrated its first anniversary with VIP events for luxury brands such as the Jewelry & Watch VIP Appraisal Event, Trendsetter's Closet and SS/FW Fashion Show. The mall also held a Christmas promotion under the theme of New Attitude and organized weekend performances throughout the month of December.

Looking ahead in 2015, the mall will continue to face competition in the market. But with the introduction of substantial promotion activities, tenant sales are expected to remain steady.

The **Office Tower of Center 66**, our first office tower outside Shanghai, commenced operation in October 2014. With the excellent location and superior quality of the building, we were able to command a premium rent rate.

Part of the low-zone units were leased shortly after the opening with the first influx of tenants moving in. Many of the new tenants came from international corporations. To meet the keen demand for office space, leasing of the mid-zone occurred earlier than originally planned.



Riverside 66 introduces international brands making their debut in Tianjin



Riverside 66 invites fashion professionals to join its first large-scale mall event

RIVERSIDE 66, TIANJIN

Our youngest mall, **Riverside 66** in Tianjin was unveiled on September 26, 2014. Riverside 66 is destined to become an iconic retail landmark for Tianjin, introducing a new lifestyle concept for customers in the city and the surrounding neighborhoods.

The mall's performance was pleasant in the first three months. Occupancy rate was 85% at year-end date, or 91% when including committed tenancies.

Out of the 297 tenants operating at Riverside 66, a total of 60 new brands were introduced to the Tianjin market for the first time. Average daily footfall has increased to 31,000 during weekdays and 52,000 over the weekends.

We saw income rises for the average consumer leading to increased demand for higher-end goods and services. As consumers in Tianjin began looking for good shopping and consumer experiences, Riverside 66 suited their needs perfectly. The establishment of the China (Tianjin) Pilot Free Trade Zone will also have a positive economic effect on the city.

Key marketing events of the year included the Rainbow Run, Mirror Mirror Party, Bazaar Art Show and Batman exhibition. Riverside 66 also hosted the One & Only exhibition of brands making their debut in Tianjin. To improve the customer experience, Riverside 66 installed touch screens for displaying store information and delivering promotional messages to consumers as well as social media channels.

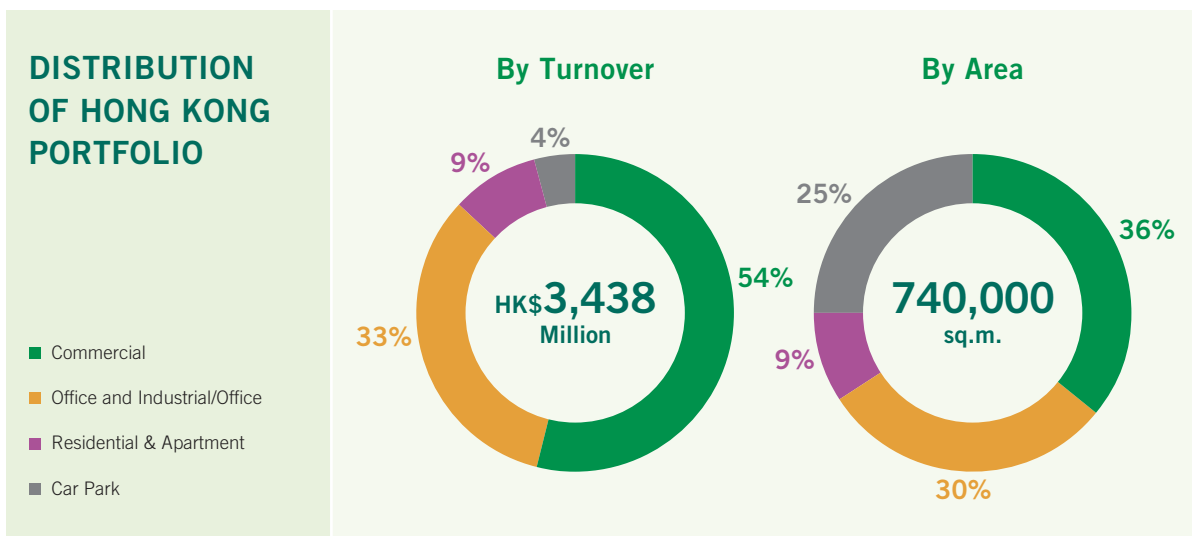
In 2015, we will continue to enrich the mix of international and local brands in the mall, including first-ever brands to Tianjin.



60
new brands
debuted in
Riverside 66

Hong Kong Property Leasing

In Hong Kong, the year under review saw stable growth and steady revenue for our businesses. In addition, we are beginning to see the fruits of our management strategy, with our asset enhancement and tenant optimization programs going according to plan. These achievements are all testament to the strength of our vision and ability to get it right.



Our diversified Hong Kong portfolio was resilient in the challenging market environment. Rental turnover and operating profit were both up by 6%. The resulting leasing margin was 84%.

Rental turnover of the commercial and office segments was up 6% and 8%, respectively. The solid growth was attributable to positive rental reversions and tenant mix reshuffling. Occupancy rate of the commercial segment was maintained at 98% while the office portfolio stood at 94%. The commercial portfolio accounted for 54% of Hong Kong rental turnover in 2014.

GEOGRAPHICAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

At December 31

	Total Gross Floor Area* ('000 sq.m.)	
	2014	2013
Hong Kong Island		
Central and Admiralty	51	51
Causeway Bay and Wan Chai	92	92
Kornhill and Quarry Bay	135	135
The Peak and Mid-Levels	47	47
Hong Kong South	12	12
Kowloon		
Mongkok	140	140
Tsim Sha Tsui and West Kowloon	88	88
Ngau Tau Kok and Kwun Tong	78	78
Cheung Sha Wan, Kwai Chung, Tsuen Wan and Tuen Mun	97	97
Total	740	740

SEGMENTAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

For the year ended December 31

	Rental Turnover (HK\$ Million)		Occupancy Rate (%)		Total Gross Floor Area# ('000 sq.m.)	
	2014	2013	2014	2013	2014	2013
Commercial	1,842	1,736	98%	98%	262	262
Office and Industrial/ Office	1,161	1,077	94%	94%	223	223
Residential & Apartment	295	289	73%	74%	68	68
Car Park	140	130	N/A	N/A	187	187
Total	3,438	3,232	93%	93%	740	740

* Including gross floor area of car parks

Including gross floor area above and below ground

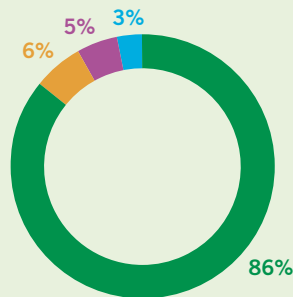
**BRIEF ON
 MAJOR
 PROPERTIES**

FASHION WALK
 Causeway Bay



In a unique fusion of indoor and outdoor elements at the heart of Causeway Bay and encompassing four vibrant streets – Great George, Paterson, Kingston and Cleveland – Fashion Walk is the superlative shopping destination, offering the latest in trends in fashion, gastronomy and lifestyle in a magnificent setting. In addition, Fashion Walk features an exciting collection of restaurants with al fresco and indoor seating.

Commercial Segment Distribution (by Base Rent)



- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment
- Bank
- Department Store
- Others

Key Statistics

Gross floor area (sq.m.)	Commercial	31,072
	Office	N/A
	Residential/ Serviced Apartment	7,935
Number of car park spaces		N/A
Occupancy rate	Commercial	97%
	Office	N/A
	Residential/ Serviced Apartment	81%
Number of shopping mall tenants		73

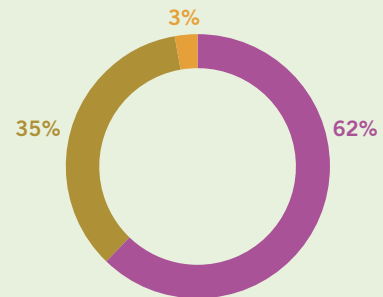
HANG LUNG CENTRE
 Causeway Bay



Conveniently located in the heart of Causeway Bay, Hang Lung Centre is a retail and commercial complex with key retail and semi-retail offerings in travel, fashion wholesale and medical services. The opening of H&M's first and largest global flagship store in Asia in 2015 will inject new energy and boost the shopping ambience.

Expansion of the travel zone will create a comfortable environment for customers obtaining travel information and shopping for travel products.

Commercial Segment Distribution (by Base Rent)



Gross floor area (sq.m.)	Commercial	8,777
	Office	22,131
	Residential/ Serviced Apartment	N/A
Number of car park spaces		126
Occupancy rate	Commercial	91%
	Office	97%
	Residential/ Serviced Apartment	N/A
Number of shopping mall tenants		6

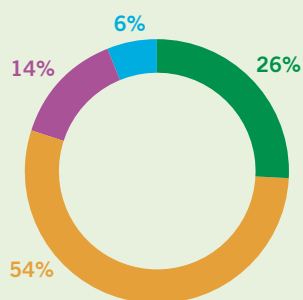
THE PEAK GALLERIA

The Peak



Located at Hong Kong's top visitor attraction, The Peak Galleria is a shopping and dining complex. It not only features a full array of local and international specialty stores, restaurants and a 3D illusion art museum but also a host of environmentally friendly facilities. Its Observation Deck at Green Terrace on L3, offering the stunning panoramic view of Victoria Harbor and the Pok Fu Lam Reservoir, is a must-visit place.

Commercial Segment Distribution (by Base Rent)



12,446

N/A

N/A

493

97%

N/A

N/A

58

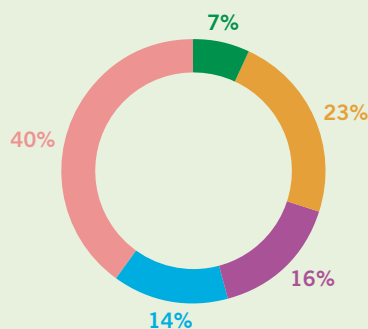
KORNHILL PLAZA

Quarry Bay



Conveniently located on top of the MTR Taikoo Station, Kornhill Plaza is one of the most popular shopping hubs on East Hong Kong Island. The commercial complex houses a quality lifestyle shopping arcade, department store, serviced apartments with superior management and services, office tower and the Kornhill Learnscape education center.

Commercial Segment Distribution (by Base Rent)



53,080

10,577

35,275

1,069

99%

95%

62%

105

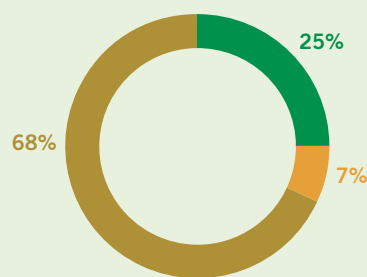
BRIEF ON MAJOR PROPERTIES

STANDARD CHARTERED BANK BUILDING Central



Home to Hang Lung's headquarters, the Standard Chartered Bank Building is a prestigious Grade A commercial tower in Central district. It is also the home of the first digital branch of Standard Chartered Bank, the luxury fashion brand Escada and high-end Chinese restaurant Mott 32.

Commercial Segment Distribution (by Base Rent)



- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment
- Bank
- Department Store
- Others

Key Statistics

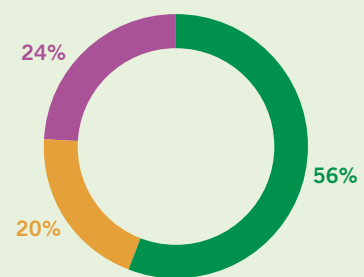
Gross floor area (sq.m.)	Commercial	4,814
	Office	23,730
	Residential/ Serviced Apartment	N/A
Number of car park spaces		16
Occupancy rate	Commercial	100%
	Office	100%
	Residential/ Serviced Apartment	N/A
Number of shopping mall tenants		3

GRAND PLAZA Mongkok



Located on the bustling Nathan Road next to the MTR Mongkok Station, Grand Plaza comprises two office towers and a commercial podium with high-standard facilities, houses renowned watch and jewelry brands, many fashion brands and restaurants targeting both locals and tourists, as well as beauty and medical centers.

Commercial Segment Distribution (by Base Rent)



Gross floor area (sq.m.)	Commercial	20,905
	Office	31,251
	Residential/ Serviced Apartment	N/A
Number of car park spaces		40
Occupancy rate	Commercial	97%
	Office	93%
	Residential/ Serviced Apartment	N/A
Number of shopping mall tenants		30

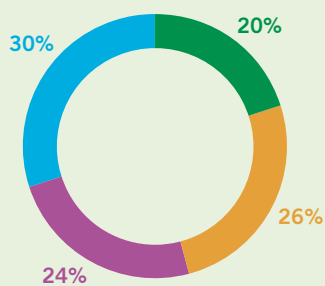
AMOY PLAZA

Ngau Tau Kok



Conveniently located near the MTR Kowloon Bay Station, Amoy Plaza is an integrated mall in Kowloon East, comprising stores offering trendy fashions, beauty products and electronic gadgets. Together with more than 35 restaurants serving local and international cuisines, the mall offers a full selection of lifestyle experiences for nearby office workers and residents of Amoy Gardens.

Commercial Segment Distribution (by Base Rent)



49,006

N/A

N/A

620

98%

N/A

N/A

245

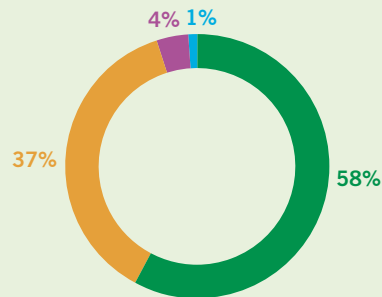
GALA PLACE & PARK-IN COMMERCIAL CENTRE

Mongkok



Conveniently located in the Mongkok district, Gala Place is a young and trendy mall while Park-In Commercial Centre houses a range of retail and services including customer services centers of telecom service, showrooms of furniture and household products, optical and beauty salons, a fitness centre, etc, allowing customers to enjoy a convenient one-stop shopping experience.

Commercial Segment Distribution (by Base Rent)



7,454

30,205

N/A

478

95%

89%

N/A

100



A number of brands open their first ever Concept Stores at Fashion Walk

over **30**
new stores in
Fashion Walk

FASHION WALK

2014 marked the beginning of our asset enhancement initiatives for **Fashion Walk**.

In a unique fusion of indoor and outdoor ambience at the heart of Causeway Bay encompassed by four vibrant streets – Great George, Paterson, Kingston and Cleveland – Fashion Walk has a good track record setting the pulse of Causeway Bay and continues to evolve as a distinctive lifestyle destination that offers the latest in fashion, lifestyle and gastronomy.

In 2014, Fashion Walk has introduced over 30 new concepts for shoppers to explore. More and more cutting-edge fashion designers and brands are opening flagship stores in the district, including McQ Alexander McQUEEN, Comme des Garçons and Kurt Geiger. Popular brands such as Isabel Marant and Tsumori Chisato have had completed facelifts in their stores, and the new designs offer customers a refreshing new identity and shopping experience.

The first and only NIKE Running Experience Store, Under Armour's Hong Kong flagship store and adidas Women housing the fullest Stella McCartney collection formed a very strong sports cluster on Kingston and Cleveland Streets.

In addition, Fashion Walk features an exciting collection of restaurants with al fresco and indoor seating. New joiners include popular burger concept burgeRoom; the first and only simplylife store in Causeway Bay; the casual authentic Italian restaurant EAT·it and the first Starbucks in Hong Kong with a dessert menu plus a wide selection of food choices.

In December 2014, the **Main Block of Fashion Walk** was unveiled after an extensive enhancement featuring a number of first-time-in-Hong Kong store concepts to be progressively launched, including the only Michael Kors flagship store featuring its full product range in Hong Kong, the all new Max Mara Utility Luxe concept flagship store, and the largest LOG-ON on Hong Kong Island featuring exclusive LOG-ON TOGETHER member area. Despite disruptions during the enhancement period, the Causeway Bay commercial portfolio enjoyed a 2% rental growth year-on-year.

Phase 2 of the enhancement of the Main Block starts in mid-January 2015 and is targeted for completion by the second quarter of 2015.

The long-awaited H&M Global Flagship store will also open at **Hang Lung Centre** before the end of 2015, creating another new destination for Fashion Walk and the region as a whole.

Over the years, Hang Lung Centre has been successfully transformed into a multi-trade commercial building with key retail and semi-retail offerings in travel, fashion wholesale and medical services. In 2014, a 7% rental growth has been generated.

The Travel Zone was expanded in 2014 to include an eighth floor above the sixth and seventh floors, containing the largest number of travel agents in Hong Kong. Our medical hub was further strengthened by the addition of a one-stop medical clinic operated by Hong Kong Adventist Hospital. These two important hubs have brought significant footfall to Hang Lung Centre.



Hang Lung Centre is successfully transformed into a multi-trade commercial building

In 2015, we will continue to build on and reinforce our existing strong mix of trades and retail by selecting quality fashion wholesale tenants and recruiting other medical centers, reputable doctors and medical specialists.

We plan to further enhance our growing travel hub in 2015, when a large scale enhancement of our three-floor Travel Zone will take place. It will offer a more comfortable environment for customers to obtain travel information and shop for travel products.



Trick Eye Museum from Korea opens its door at The Peak Galleria



Marketing events and promotional activities at Kornhill Plaza are well received by customers

THE PEAK GALLERIA

The Peak Galleria grew 6% in rental turnover in 2014. The tenant profile was upgraded with several new brands including Quiksilver/Roxy, Furla, Yumme Organics and Double Portion. The first Trick Eye Museum (a 3D illusion art museum from Korea) in Hong Kong opened at the mall in December 2014, offering an extraordinary fun experience and attracting younger visitors.

Innovative promotional events in 2014 continued to attract growing numbers of customers. These included a series of Horror Romance themed activities, the haunted house operator FRIGHT DOME from Las Vegas, and the Guinness Bear, the world's largest 3D shaped balloon.

Enhancement works in the mall will commence in 2016 which aims to provide customers with a more enjoyable and vibrant shopping and lifestyle experience.

KORNHILL PLAZA

The rental income of **Kornhill Plaza** showed a steady growth of 5% in 2014 compared with 2013. We began a tenant-mix upgrade program with new retail and food & beverage tenants, including Pizza Express and Lenscrafters.

Major marketing events at the mall included the 40th anniversary celebration of the Japanese cartoon character Robocon, a popular promotion that tied into the Christmas season, and a wine tasting event that were well received by customers.



Luxury brands open shops at the Standard Chartered Bank Building



Rental growth
in Central
commercial
portfolio

↑25%

The educational concept of Kornhill Learnscape at the **Office Tower of Kornhill Plaza** has been well developed and has gained a good reputation in the community, creating a synergy effect with the shopping mall maximizing the business potential of the whole portfolio. The Office Tower of Kornhill Plaza was virtually fully let throughout the year of 2014.

Kornhill Apartments is one of the biggest apartment blocks on Island East, featuring a total of 450 units with a variety of room types. It had a good year with turnover leaping 14% year-on-year, driven by a higher occupancy rate after effective marketing campaigns.

CENTRAL

Over the past two years, the Group has transformed the commercial space of the **Standard Chartered Bank Building** in Central into a stylish banking hall and the home of a luxury fashion brand, Escada, as well as a contemporary fine dining establishment, Mott 32 restaurant. Along with the reshuffling tenants of other properties including **1 Duddell Street**, **Printing House** and **Baskerville House**, our Central portfolio enjoyed a 25% rental growth in 2014.

The Central office portfolio, comprising the Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House, achieved a 5% rental growth while occupancy rate maintained at 97%.

MONGKOK

Mongkok commercial properties, comprising Grand Plaza, Park-In Commercial Centre and Hollywood Plaza, achieved a solid 5% rental growth in 2014 mainly driven by positive rental reversions.

Grand Plaza recorded a 7% rental growth during the period. The asset enhancement initiatives commenced two years ago will be completed in early 2015, and the resulting benefits will flow through in the coming years.

Office Towers of Grand Plaza enjoyed a stable rental growth of 5% with occupancy rate standing at 93%. In 2014, we strove to create a balanced trade and tenant mix in both the commercial and office areas. We have themed floors that are devoted to specific industries such as medical services, beauty and education, which recorded a stable performance.

Gala Place is the first shopping mall in Hong Kong to have an innovative collaboration with Yahoo to install digital lockers for online to offline shopping. Enhancement works at Gala Place will commence in mid-2015.



Grand Plaza in Mongkok is having a new façade



Gala Place gives customers new excitements by providing pioneering shopping experiences

From October to December 2014 when the district was hit by the Occupy Central incident, retail sales of the portfolio were inevitably affected. Despite temporary contraction of retail sales during the affected period, income of the portfolio continued to expand as sales rent accounted for only a small portion of the rental turnover.

AMOY PLAZA

Tenant sales at **Amoy Plaza** grew 5% in 2014. Amoy Plaza is a regional shopping mall well supported by the surrounding residential estates. It continued to deliver solid rental growth as a result of positive rental reversions, generating 10% more in rents in 2014.

A number of promotions were held including two joint promotions with Bandi, a famous toy brand, bringing a 15% growth in footfall. New tenants including Taste, a chain supermarket, opened its largest store in Kowloon East in the mall, while new food & beverage tenants were welcomed by families and young people.



Joint promotions at Amoy Plaza are welcomed by local residents and attract people from other districts



The Long Beach,
Hong Kong



The HarbourSide,
Hong Kong



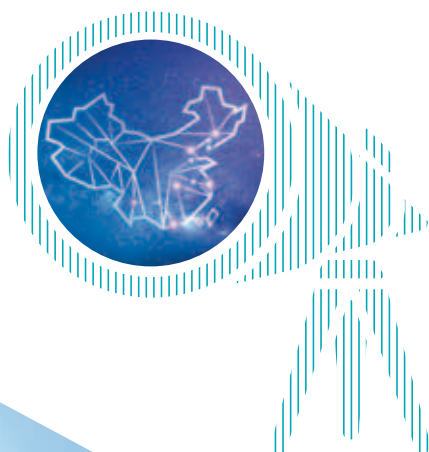
Center 66,
Wuxi

Forum 66,
Shenyang





23-39 Blue Pool Road,
Hong Kong



Macroscopic Views

Our unblinking vision has seen our portfolio of world-class commercial projects grow from strength to strength. Our presence in Wuhan brings our penetration of the mainland China market to 10 developments in eight key cities; and our horizons continue to expand with our sights firmly fixed on continuing growth.

Olympia 66,
Dalian



Hong Kong Property Sales and Development



23-39 Blue Pool Road obtained its occupation permit in 2014



The Long Beach is a high-end residential complex with a prime location in South West Kowloon

We build top quality residential properties in prime locations and take a highly disciplined approach to sales in order to optimize value. The result is that our properties are consistently well received in the market.

Riding on improved sentiments in the Hong Kong residential market, the Group launched the sales campaigns for The Long Beach and The HarbourSide during 2014. As a result of the sale of 412 residential units and some car parking spaces, our property sales turnover reached HK\$9,814 million. The 412 residential units sold comprised 261 units of The HarbourSide and 151 units of The Long Beach. Overall profit margin realized was 75.6%.

As at December 31, 2014, the Group has over 55,000 square meters of residential apartments for sales. These mainly include 708 units in The Long Beach, 18 semi-detached houses at 23-39 Blue Pool Road and 11 units in The HarbourSide. These units will be ready for release in 2015 if market conditions are favorable.

23-39 BLUE POOL ROAD

23-39 Blue Pool Road, a luxury residential development in Happy Valley, Hong Kong, obtained its occupation permit in September 2014. The 18 luxurious semi-detached houses will be ready for release in 2015 if market conditions are favorable. The development was awarded a Gold Level certificate under the Leadership in Energy and



The HarbourSide enjoys panoramic and magnificent views of Hong Kong's Victoria Harbor

Environmental Design (LEED) for Homes program by the U.S. Green Building Council. It is the first project in Hong Kong and on the Mainland to attain this certification and also the largest project on the Mainland to be recognized as to date.

THE LONG BEACH

With a prime location in South West Kowloon, **The Long Beach** is a high-end residential complex with a total of 1,829 units in eight towers. Distinguishing features include a unique wave-like design, spectacular sea views with four stories of luxury facilities and recreational services.

After series of sales, we parted with 1,121 units, including 151 units in 2014. The 708 units currently available for sales are mainly units with sea views.

THE HARBOURSIDE

Soaring above the MTR Kowloon Station, **The HarbourSide** is a prestigious, top-end residential development in a prime location in South West Kowloon. The complex has a total of 1,122 units in three connected towers, with sweeping 180-degree views of Victoria Harbor, an ultra-modern design and contemporary lifestyle facilities.

In 2014, we sold 261 units and generated a substantial turnover of HK\$8,140 million. The remaining 11 units at year end date are mainly in the high zone with spectacular sea views, comprising four duplex units.

Mainland China Property Development

With our advanced project management capabilities and a high level of collaboration among teams, every future Hang Lung project will be a world-class landmark in keeping with our impeccable track record.

SUMMARY OF NEW PROJECTS IN MAINLAND CHINA

	CENTER 66	OLYMPIA 66	FORUM 66	SPRING CITY 66	HEARTLAND 66
City	Wuxi	Dalian	Shenyang	Kunming	Wuhan
City status	Major City	Major City	Provincial Capital	Provincial Capital	Provincial Capital
Province	Jiangsu	Liaoning	Liaoning	Yunnan	Hubei
Usage	Shopping Mall, Office, Hotel, Serviced Apartment	Shopping Mall	Shopping Mall, Office, Hotel, Serviced Apartment	Shopping Mall, Office, Serviced Apartment	Shopping Mall, Office, Serviced Apartment
Total gross floor area ('000 sq.m.)	372	222	861	434	460
Year of Completion	Shopping Mall: 2013 Office Tower: 2014 Remaining portions: In phases from 2019	2015	Shopping Mall: 2012 Office Tower: 2015 Remaining portions: In phases from 2018	In phases from 2018	In phases from 2019



Olympia 66 in Dalian will be having its grand opening in 2015

OLYMPIA 66, DALIAN

Olympia 66 is located close to Olympic Square on Wusi Lu, one of the most prominent commercial thoroughfares in the city of Dalian. It will offer shopping, dining and entertainment facilities in a complex with a unique interplay of Western and Chinese design elements, including the auspicious traditional Chinese Tai Chi twin dancing carps. This dynamic vision for the city will have multiple entrances that enhance connectivity and integration in the urban environment.

Olympia 66 made steady progress during 2014. Construction of the superstructure is completed. This stunning development comprises almost 222,000 square meters of retail area and 1,200 car parking spaces. Interior fitting out works have already begun. Pre-leasing activities have been started ahead of a scheduled opening in the third quarter of 2015.

Engagement with government and other stakeholders has been a critical element in the successful development of Olympia 66. For example, meetings with resident representatives from the surrounding area have enabled us to exchange ideas that will make a positive impact on the existing commercial environment in the district.

The unique design allows the project to win numerous awards, including the MIPIM Asia Awards 2011 – Bronze Award in the category of the Best Chinese Futura Projects, as well as the highly coveted Best Retail Architecture in Asia Pacific and Five-star Best Retail Architecture in China awards in the International Property Awards 2011. The project also outperformed other projects from across the world to bring home the Best International Retail Architecture 2011 award. The project was also awarded the top honor in the 2013 Cityscape Awards for Emerging Markets in the category of Retail Project Awards – Future. The environmentally-friendly facilities also allow the project to receive the Precertification under the Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level from the U.S. Green Building Council.



Center 66 in Wuxi brings shoppers an exceptional shopping experience with a host of international brands



Center 66 – Phase 1 & 2 will be the largest retail and commercial landmark in the central business district of Wuxi

CENTER 66 – PHASE 1 & PHASE 2, WUXI

Following the Phase 1 opening of the **Center 66** shopping mall in September 2013, the office tower was completed in October 2014. In addition to the shopping mall and office tower, Phase 2 will comprise a hotel, serviced apartments and commercial facilities.

Center 66 has been widely acclaimed for its innovative design, including the top honor in the prestigious 2014 Cityscape Awards for Emerging Markets in the category of Built Retail Project, the silver award in the category of Best-Mixed-Use Development in the 2014 MIPIM Asia Awards and a Merit Award in The Hong Kong Institute of Architects Annual Awards 2013 in the Outside Hong Kong – Commercial Building category.



Locating next to City Plaza, the 88-story Forum 66 Office Tower enhances the grandeur of Shenyang



The Grade A office tower of Forum 66 brings world-class standards to Shenyang

FORUM 66, SHENYANG

Covering a gross floor area of 1,060,000 square meters, the shopping mall of **Forum 66** officially opened in September 2012 followed by the first Grade A office tower in the first quarter of 2015.

A tenant recruitment exercise was launched during the year and is making significant headway. The first batch of tenants will take up premises in early 2015. The enhancement of the mall environment and completion of the sub-structure of serviced apartments will take place in early 2015.

The shopping mall of Forum 66 received Certification under the Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level issued by the U.S. Green Building Council.

SPRING CITY 66, KUNMING

Spring City 66 is situated in the heart of the business and commercial district of Kunming. With a total gross floor area of 434,000 square meters (ground level and above and B1 commercial area, excluding car park areas), it comprises a world-class shopping center, a Grade A office tower and a serviced apartment tower.

The official groundbreaking for this major new development in Kunming took place in November 2012. The foundation work has commenced. Piling work was completed in mid-2014 and excavation for the basement is progressing in conformity with new building regulations and with local government coordination. The entire project is due for completion, in phases, from 2018.

Metro Lines 2 and 3 are currently under construction and, when completed, will provide direct commuter access to Spring City 66 which in turn will attract further traffic to the complex.

Built to the high level of environmental standards, the serviced apartment tower, office tower and shopping mall have all been awarded Precertification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level issued by the U.S. Green Building Council.



Spring City 66 in Kunming enjoys a perfect location in the business and commercial heart of Kunming



Heartland 66 in Wuhan is another important milestone of the new development for Hang Lung

HEARTLAND 66, WUHAN

Heartland 66 is our 10th development on the Mainland and, when completed, will be a major presence in the central region of the country.

Hang Lung acquired the land for this project in February 2013 and held a groundbreaking ceremony in November.

Heartland 66 will be a showcase of modern architecture and design, bringing together the best of East and West. The project comprises a world-class shopping mall, a Grade A office tower and serviced apartments covering a total gross floor area of 460,000 square meters (ground level and above and B1 commercial area, excluding car park areas). Heartland 66 is scheduled for completion, in phases, from 2019.

Heartland 66 was awarded Precertification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level issued by the U.S. Green Building Council in 2014.

Major Properties of the Group

A. MAJOR PROPERTIES UNDER DEVELOPMENT

At December 31, 2014

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	% Held by The Group	Stage of Completion	Expected Completion Year
MAINLAND CHINA							
SHENYANG							
Forum 66	Qingnian Da Jie, Shenhe District	81,696	C/H/O/S	758,800	53.2%	Superstructure	2015 onwards
WUXI							
Center 66 (Phase 1)	Renmin Zhong Lu, Chong'an District	37,324	O	56,034	53.2%	Planning	
Center 66 (Phase 2)	Jiankang Lu, Chong'an District	16,767	C/H/O/S	108,980	53.2%	Planning	
DALIAN							
Olympia 66	Wusi Lu, Xigang District	63,447	C	221,900	53.2%	Superstructure	2015
KUNMING							
Spring City 66	Dongfeng Dong Lu, Panlong District	56,043	C/O/S	433,500	53.2%	Foundation	2018 onwards
WUHAN							
Heartland 66	Jinghan Da Dao, Qiaokou District	82,334	C/O/S	460,000	53.2%	Foundation	2019 onwards

C: Commercial

H: Hotel

O: Office

S: Serviced Apartment

B. PROPERTIES COMPLETED FOR SALE

At December 31, 2014

	Location	Main Usage	Total Gross Floor Area (sq.m.)	% Held by The Group	No. of Residential Unit for Sale	No. of Car Park Space for Sale
HONG KONG						
23 - 39 Blue Pool Road	23 - 39 Blue Pool Road, IL 5747	R	8,585	53.2%	18	36
The HarbourSide	1 Austin Road West, KIL 11080	R	1,725	53.2%	11	161
The Long Beach	8 Hoi Fai Road, KIL 11152	R	58,756	53.2%	708	–
AquaMarine	8 Sham Shing Road, NKIL 6338	R	1,678	53.2%	17	–
Carmel-on-the-Hill	9 Carmel Village Street, KIL 11122	R	286	53.2%	2	14

R: Residential

Major Properties of the Group

C. MAJOR INVESTMENT PROPERTIES

At December 31, 2014

	Location	Lease Expiry	% Held by The Group	Total Gross Floor Area (sq.m.) [#]			No. of Car Park Space
				Commercial	Office and Industrial/Office	Residential and Apartment	
HONG KONG							
CENTRAL							
Printing House	6 Duddell Street, IL 339	2848	53.2%	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	53.2%	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	53.2%	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	53.2%	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI							
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	53.2%	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	53.2%	31,072	–	7,935	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	53.2%	–	16,313	–	42
KORNHILL (QUARRY BAY)							
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53.2%	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	53.2%	–	–	35,275	–
THE PEAK AND MID-LEVELS							
The Peak Galleria	118 Peak Road, RBL 3	2047	53.2%	12,446	–	–	493
Nos. 2&3 Garden Terrace, Block 2	8A Old Peak Road, IL 896 & IL 2850	2078 & 2886	53.2%	–	–	558	17
The Summit	41C Stubbs Road, IL 8870	2047	53.2%	–	–	15,225	54
HONG KONG SOUTH							
Burnside Villa	9 South Bay Road, RBL 994	2072	53.2%	–	–	9,212	89
MONGKOK							
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	53.2%	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	53.2%	–	–	–	1,000
Park-In Commercial Centre / Gala Place	56 Dundas Street, KIL 9590	2044*	53.2%	7,454	30,205	–	478
Hollywood Plaza	610 Nathan Road, KIL 11024	2047	17.7%	9,139	17,941	–	–
Carmel-on-the-Hill	9 Carmel Village Street, KIL 11122	2050	53.2%	2,131	–	–	11
TSIM SHA TSUI AND WEST							
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	53.2%	3,688	7,198	–	–
Hanford Fashion	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	53.2%	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	53.2%	22,350	–	–	494
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	53.2%	20,174	–	–	390

Location	Lease Expiry	% Held by The Group	Total Gross Floor Area (sq.m.) [#]				No. of Car Park Space
			Commercial	Office and Industrial/Office	Residential and Apartment		
HONG KONG							
NGAU TAU KOK							
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	53.2%	49,006	–	–	620
CHEUNG SHA WAN, KWAI CHUNG AND TSUEN WAN							
822 Lai Chi Kok Road	822 Lai Chi Kok Road, NKIL 5568	2047	100%	–	9,004	–	73
9 Wing Hong Street	9 Wing Hong Street, NKIL 6229	2047	100%	–	35,223	–	95
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	100%	3,109	–	–	172
Bayview Garden	633 Castle Peak Road, Tsuen Wan, TWTL 329	2047	100%	4,959	–	–	52
TUEN MUN							
Tai Hing Gardens	11 Tsun Wen Road and 10A Ho Hing Circuit, Tuen Mun, TMTL 312	2047	50%	10,970	–	–	387
Luen Cheong Can Centre	8 Yip Wong Road, Tuen Mun, Lot 1169 in DD131	2047	100%	–	7,856	–	37
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66 Gardens 1 & 2	2118 Hua Shan Lu, Xuhui District	2063	53.1%	–	–	64,900	–
Grand Gateway 66 Plaza 66	1 Hong Qiao Lu, Xuhui District 1266 Nan Jing Xi Lu, Jing'an District	2043 2044	53.1% 52.2%	120,188 53,700	67,200 159,555	18,300 –	835 804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	53.2%	109,307	–	–	864
Forum 66	Qingnian Da Jie, Shenhe District	2058	53.2%	101,960	–	–	2,139
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	53.2%	171,074	–	–	789
WUXI							
Center 66 (Phase 1)	Renmin Zhong Lu, Chong'an District	2059	53.2%	118,135	88,560	–	1,292
TIANJIN							
Riverside 66	Heping Lu, Heping District	2061	53.2%	152,831	–	–	800

* With an option to renew for a further term of 75 years

Including gross floor area above and below ground

Financial Review

GROUP RESULTS

Turnover and operating profit of the Group soared by 81% and 85% to HK\$17,606 million and HK\$13,406 million, respectively, for the financial year ended December 31, 2014.

Turnover from property leasing increased by 8% to HK\$7,792 million, with the mainland China portfolio achieved a 9% rental growth and Hong Kong recorded a 6% increase, when compared to 2013. Riding on improved sentiments in Hong Kong residential markets, a total of 412 residential units and some car parking spaces were sold in 2014. Turnover from property sales jumped 2.9 times to HK\$9,814 million.

Correspondingly, underlying net profit attributable to shareholders reached HK\$5,730 million, an 87% increase year-on-year. When including the effect of revaluation gain of our investment properties, profit attributable to shareholders increased by 50% to HK\$6,825 million and earnings per share increased similarly to HK\$5.04.

BREAKDOWN OF TURNOVER AND OPERATING PROFIT OF THE GROUP

HK\$ Million	Turnover			Operating Profit		
	2014	2013	Change	2014	2013	Change
Property leasing	7,792	7,216	+8%	5,987	5,731	+4%
Mainland China	4,354	3,984	+9%	3,090	2,995	+3%
Hong Kong	3,438	3,232	+6%	2,897	2,736	+6%
Property sales	9,814	2,518	+290%	7,419	1,521	+388%
Total	17,606	9,734	+81%	13,406	7,252	+85%

PROPERTY LEASING

Our core business, property leasing in mainland China and Hong Kong, continued to achieve solid growth in a challenging business environment. Rental turnover grew 8% to HK\$7,792 million and operating profit rose 4% to HK\$5,987 million. Tianjin Riverside 66 started contributing rental income to the Group since its grand opening in September 2014. Office tower at Wuxi Center 66 began generating rental turnover since its commencement of operation in October 2014.

Mainland China

Our mainland China property portfolio recorded a 9% growth in rental turnover to HK\$4,354 million for the year ended December 31, 2014. This was mainly attributable to the pleasing performance of our two Shanghai properties against the backdrop of the anti-

corruption and opulence campaign and the full year effect of Wuxi Center 66. The young investment properties outside Shanghai, including the Tianjin Riverside 66 mall opened in September 2014, collectively contributed HK\$1,141 million to the rental turnover in 2014. Given the lower profitability of our younger properties during the gestation period, overall leasing margin of mainland China portfolio retreated four points to 71%. Total retail sales of our shopping malls on the Mainland exceeded RMB10 billion in 2014.

Shanghai Portfolio

Plaza 66 and Grand Gateway 66 in Shanghai generated 4% more rents to HK\$3,213 million despite increased competitions. Rental turnover of the two Shanghai malls rose 7% to HK\$1,972 million over a year ago. Occupancy rate of Grand Gateway 66 mall was close to 100% and that of Plaza 66 mall stood at 96%. Retail sales of Plaza 66 slipped 4% as anti-graft measures have continued to affect luxury consumption in mainland China. On the other hand, Grand Gateway 66 recorded a 3% gain on retail sales year-on-year despite depressed sentiment.

Our Shanghai office portfolio collected 2% more rents to HK\$1,096 million amidst increasing supply of office spaces. The Grand Gateway 66 office tower generated 6% more rents to HK\$293 million due to increase in occupancy rate by two points to 96%. However, rents collected by the two office towers at Plaza 66 stayed at HK\$803 million as positive rental reversions were offset by a drop in occupancy by four points to 91% after the lease expiry of a major tenant who previously occupied 12% of the total leasable area.

Rental turnover of residential and serviced apartments at Grand Gateway 66 slumped by 20% to HK\$145 million as demand from corporate tenants remained weak and the local ambience was affected by construction works nearby.

Outside Shanghai Portfolio

All of our investment properties outside Shanghai are relatively young ranging from newly opened to four years old. They included five shopping malls operating in Jinan, Shenyang (two malls), Wuxi and Tianjin and one office tower in Wuxi. In 2014, they collectively contributed HK\$1,141 million rental turnover to the Group. As most of those properties are still going through their start-up period, it is understandable that tenant reshuffling and / or refinement after completing the first or second lease cycle would have an adverse impact on their occupancy during the process.

Hong Kong

Our diversified Hong Kong portfolio continued to deliver a stable growth. Rental turnover and operating profit were both up by 6% to HK\$3,438 million and HK\$2,897 million, respectively. The resulting leasing margin was 84%.

BREAKDOWN OF RENTAL TURNOVER AND OCCUPANCY RATE OF HONG KONG PORTFOLIO					
HK\$ Million	Rental Turnover			Occupancy Rate	
	2014	2013	Change	2014	Change
Commercial	1,842	1,736	+6%	98%	–
Office and Industrial/Office	1,161	1,077	+8%	94%	–
Residential and Serviced Apartments	295	289	+2%	73%	-1% pt
Car Park	140	130	+8%	N/A	N/A
Total	3,438	3,232	+6%	93%	-1% pt

Commercial

Rental turnover of the Hong Kong commercial portfolio grew 6% to HK\$1,842 million for the year ended December 31, 2014, largely due to positive rental reversions. Occupancy rate was maintained at 98%. The commercial portfolio accounted for 54% of Hong Kong rental turnover in 2014.

Our Central portfolio including The Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House enjoyed a 25% rental growth in 2014.

The Causeway Bay commercial portfolio achieved a 2% rental growth year-on-year while renovation work was in progress. Some area of the Causeway Bay portfolio was closed for extensive renovation in the last quarter of 2014 for the transformation of the portfolio into a distinctive lifestyle destination of the district. The upgraded Main Block of Fashion Walk was unveiled in December 2014, featuring an array of international brands opening their first concept stores in Hong Kong, including LOG-ON lifestyle shop, Michael Kors flagship store and Max Mara “Utility Luxe” concept flagship store.

Mongkok commercial properties achieved a solid 5% rental growth in 2014 mainly driven by positive rental reversions. Grand Plaza generated 7% rental growth during this reporting period amidst renovation programs. The asset enhancement initiatives commenced two years ago will be completed around mid-2015, with the resulting benefits flowing through in the coming years. During October to December 2014 when the district was hit by the Occupy Central incident, retail sales of this portfolio decreased by 18%. Despite the contraction of retail sales during the affected period, income of the portfolio continued to expand as sales rent accounted for only a small portion of the rental turnover.

Other malls continued to deliver solid rental growth as a result of positive rental reversions, including The Peak Galleria, Amoy Plaza in Kowloon East and Kornhill Plaza in Hong Kong East. The rental growth of The Peak Galleria was 6% in 2014, while that of Amoy Plaza and Kornhill Plaza was 10% and 5%, respectively.

Office

Rental turnover of the office portfolio rose 8% to HK\$1,161 million mainly attributable to positive rental reversions. Occupancy rate of the office portfolio stood at 94%.

The Central office portfolio generated a 5% rental growth while occupancy rate was maintained at 97%. Hang Lung Centre in Causeway Bay which is the major hub for trade groups such as travel agents, fashion wholesale and medical services, realized a 12% rental growth in 2014. Mongkok office properties enjoyed a stable rental growth of 3% with occupancy rate stood at 91%.

Residential and Serviced Apartments

Rental turnover of residential and serviced apartments was up 2% to HK\$295 million in 2014. Serviced apartments had a good year with turnover jumping 14% year-on-year, driven by a higher occupancy rate after effective marketing campaigns. The performance of luxury apartments remained soft as corporate clients were cost conscious.

PROPERTY SALES

The Group took advantage of improved sentiments in the Hong Kong residential market by selling a total of 412 residential units (2013: 274 units) and some car parking spaces in 2014. Property sales turnover reached HK\$9,814 million, soaring by 2.9 times against the previous year. Operating profit advanced by 3.9 times to HK\$7,419 million. The 412 residential units sold comprised 261 units of The HarbourSide (2013: 1 unit) and 151 units of The Long Beach (2013: 267 units). Average profit margin was 76%.

PROPERTY REVALUATION

The fair value of the Group's investment properties increased by HK\$1,712 million, compared to a gain of HK\$2,651 million in 2013. Property revaluation was undertaken by an independent professional valuer, Savills. There was no change in valuation methodology and capitalization rate used between the two reporting periods. Hong Kong investment properties recorded a revaluation gain of HK\$1,623 million mainly driven by a higher valuation of the Causeway Bay commercial portfolio because of significant positive rental reversions. The mainland China portfolio had a moderate gain of HK\$89 million.

INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

During the year, Tianjin Riverside 66 mall and Wuxi Center 66 office tower were transferred from investment properties under development to investment properties upon their opening for business. The value of investment properties increased by 11% to HK\$128 billion.

Investment properties under development comprised several projects in mainland China including projects in Dalian, Kunming, Wuhan and the remaining phases of Shenyang and Wuxi. The aggregate value decreased by 16% to HK\$25,611 million as Tianjin Riverside 66 mall and Wuxi Center 66 office tower were no longer classified as properties under development.

The interior fitting out works of Shenyang Forum 66 office tower were almost completed and would be ready for occupation in the first quarter of 2015. The opening of this office tower would create a synergistic effect with the Forum 66 mall. Pre-leasing activities have been started with a good response.

Construction of the superstructure of Olympia 66 in Dalian is completed. This stunning development comprises almost 222,000 square meters of retail area and 1,200 car parking spaces. Interior fitting out works have already begun. Pre-leasing activities have been started ahead of a scheduled opening in the third quarter of 2015.

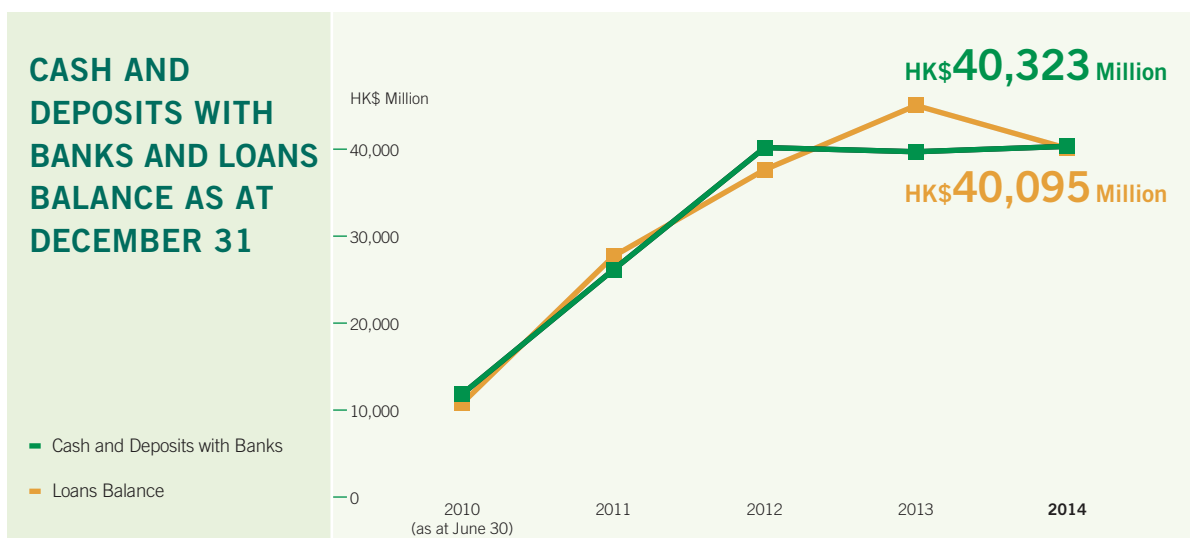
The foundation work of Spring City 66 in Kunming has commenced. Total gross floor area of the entire complex is 434,000 square meters comprising a world-class shopping center, a Grade A office tower and serviced apartments.

All other projects on the Mainland are progressing as planned.

23-39 Blue Pool Road, the luxury residential development in Happy Valley, Hong Kong, obtained its occupation permit in September 2014. The 18 luxurious semi-detached houses will be ready for release in 2015 if market conditions are favorable.

FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

The Group continued to maintain a strong balance sheet, with net assets increased by 6% year-on-year. We had strong operating cash flow from both property leasing and property sales in 2014. Part of the property sales proceeds was used to repay bank loans. As at December 31, 2014, cash and bank balances of the Group amounted to HK\$40,323 million. After netting off loan balances of HK\$40,095 million, the Group had a net cash position of HK\$228 million at year end date, compared to a net debt position of HK\$5,320 million on the same reporting date last year.



Over 88% of the cash and bank balances were held in RMB bank deposits, providing a natural hedge against the currency fluctuations of our RMB construction commitments at the various projects in mainland China. The RMB deposits also earned a higher yield than Hong Kong dollar deposits. The Group continued to refine the debt capital structure to mitigate interest rate and re-financing risks. Through the Medium Term Notes Program (“MTN Program”), the Group had issued a total of HK\$12,743 million fixed rate bonds as at December 31, 2014, accounting for 32% of total borrowings, compared with 16% last year. Those bonds were un-rated and issued with coupon rates ranging from 2.95% to 4.75% per annum. Weighted average loan tenor as at the balance sheet date was 3.4 years.

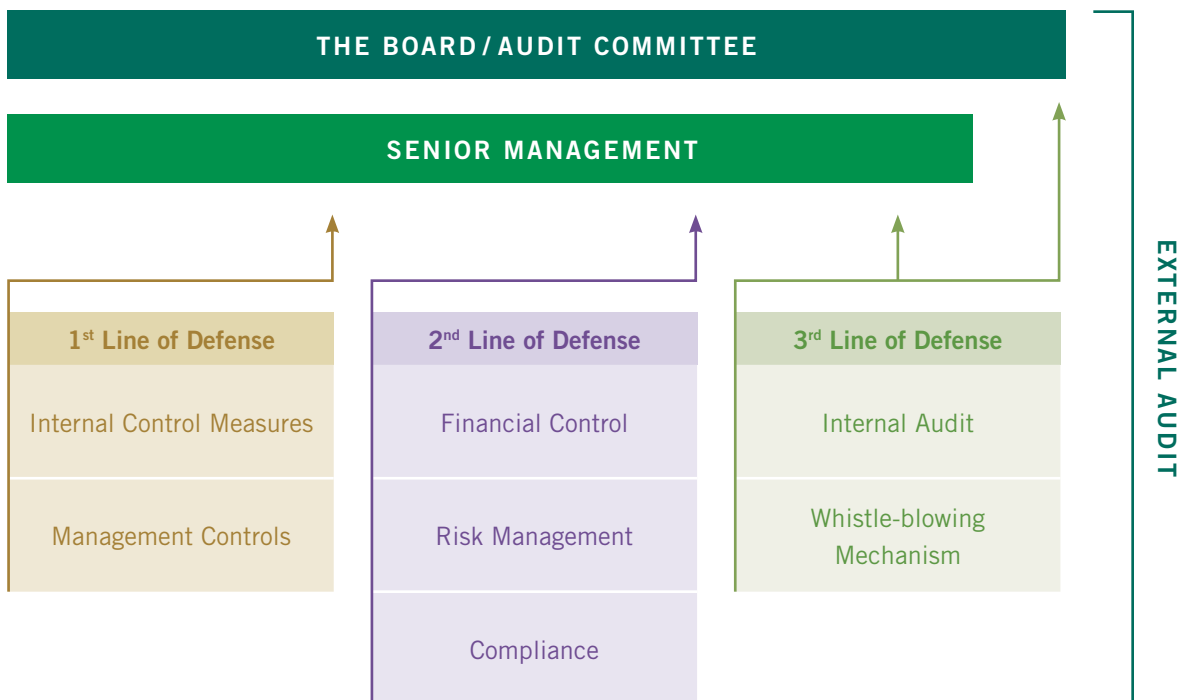
As at December 31, 2014, total capital commitments of the Group amounted to HK\$47 billion. They were mainly RMB denominated construction costs in respect of projects under development on the Mainland. Those projects would take many years to complete. Taking into account our cash and bank balances of HK\$40 billion and the committed undrawn banking facilities of HK\$25 billion, the Group has ample financial resources to meet funding needs of any commitments. In addition, under the current MTN Program, the Group can further issue bonds amounting to HK\$10 billion.

The Group will continue to adopt a prudent and sound financial management strategy to support its long-term growth. With a strong balance sheet and high degree of liquidity, the Group is well positioned for capturing any future expansion opportunities that may arise.

Risk Management

OVERALL RISK MANAGEMENT SYSTEM

Supported by the Audit Committee, the Board has the overall responsibility for risk management and the particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. Risks are inherent in every sector of our businesses, and it is important to have a culture involving all levels of staff and a systematic approach to identify and assess risks such that they can be reduced, transferred, avoided or understood. Senior management is tasked with the design, implementation and maintenance of a sound and effective internal control system underpinning the risk management framework, which is crucial in delivering our corporate strategies and ensuring sustainability of our business. We are committed to continually enhancing our risk management framework, linking to our corporate strategies as well as integrating it into day-to-day operation decision making.



	Key Roles	Enhancements in 2014
1st Line of Defense Business Operations	<p>An established risk and control environment:</p> <ul style="list-style-type: none"> • Involve in day-to-day risk management • Follow a risk process • Apply internal controls and risk responses 	<ul style="list-style-type: none"> • Tightened tender process • Enhanced controls on variation claims made by consultants and contractors from our mainland China projects • Restructured property management team to dedicate resources for handover of new projects, establishment of best practices, and delivery of customer services
2nd Line of Defense Oversight Functions: Finance, Legal & Company Secretarial, Human Resources, Cost & Controls, and Other Head Office Functions	<ul style="list-style-type: none"> • Strategic management • Policy and procedure setting • Functional oversight 	<ul style="list-style-type: none"> • Reinforced dual reporting line of functional heads for “check & balance” in our mainland China projects to Group function heads and local management • Established the Central Marketing and Central Leasing teams for coordination and monitoring of strategic marketing and rental activities • Renewed the risk management framework and process • Further standardization of property development projects, e.g. design, documentation, materials and bulk purchases, inter-departmental handovers • Clarified roles and responsibilities amongst planning, construction and operation departments in different phases of our mainland China projects • Re-examined the terms of the Asset Enhancement Committee
3rd Line of Defense Internal Audit	<ul style="list-style-type: none"> • Review 1st and 2nd lines • Provide an independent perspective and challenge the process • Be objective and offer assurance 	<ul style="list-style-type: none"> • Completed a self-assessment of activities and increased level of resources for Internal Audit • Re-affirmed our whistle-blowing policy to internal and external stakeholders

INTERNAL CONTROL ENVIRONMENT

We adhere to a stringent set of internal controls using well-established guidelines for regular management reviews, segregation of duties, budgetary controls, limits for various levels of authority, a whistle-blowing mechanism, Code of Conduct for both staff and trading partners, and training for staff development.

Our internal control systems are developed with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles. Details are covered in the Corporate Governance Report on page 91.

MANAGING KEY RISKS

We take measures to manage the risks arising from our existing and growing businesses. Key risks currently being managed are:

Land Bank Acquisition and Property Development Risk

Hang Lung Group has a long-term expansion strategy for mainland China to minimize the effects of short-term market fluctuations and government policies. Under this strategy, we have established and continued to maintain a solid land bank for property development. When the right opportunities arise which typically have the competitive advantages of top location and adequate size, we carefully scrutinize each project or parcel of land for related risks and returns. These include design and quality construction considerations, and assessment of relevant government policies, the level of local government support, market demand and conditions, and economic data as well as infrastructure support in the neighboring area. If these requirements are met, we will present a proposal to the Board for their final approval.

When a project is underway, our project team closely monitors its progress and evaluates and approves any necessary changes to the design or construction works. Roles and responsibilities are clearly defined for different departments in the Project Planning Department, Project Construction Department and Leasing & Management Department at various stages of handover during the project. Our management also takes part in supervising projects and conducts regular progress reviews. If changes are required, management is thus able to make prompt decisions.

Our skilled and professional project team is also responsible for keeping the Board fully informed through regular and comprehensive reports.

As is the case with any development, cost and quality controls are essential to a project's success. This is particularly important when several large development projects are in the pipeline. Throughout different stages of a project, management will maintain tight controls over its cost and the selection of contractors and material suppliers in order to maintain the high standards of excellence.

Treasury Risk

We have made every effort through our treasury policies to mitigate the various treasury risks to which we are exposed.

(a) Interest Rates and Foreign Exchange

Most of the Group's borrowings are floating-rate bank loans, which expose us to movements in interest rates. We closely monitor the interest rate risks and when appropriate will adopt measures to manage the associated risks – including but not limited to the issuance of fixed rate bonds and the use of derivatives such as interest rate swaps.

As our business and investments in mainland China are conducted primarily in Renminbi, we manage our Renminbi exchange rate risks prudently for maximum protection. Our recurring rental turnover in Renminbi provides a natural hedge for these investments. We also maintain an appropriate level of Renminbi resources to meet the Group's capital requirements for our ongoing projects in mainland China.

The US Dollar exchange rate risk is considered not significant as our net exposure to the US Dollar is moderate and the HK Dollar is pegged to the US Dollar under the prevailing pegged exchange rate regime in Hong Kong.

(b) Cash Management, Funding and Liquidity

The Group's cash and financing are managed and controlled at the corporate level. This enables us to negotiate better borrowing terms and practice coherent financial risk management.

To meet our obligations as and when needed, the Group maintains sufficient funds, banking facilities and multiple fund raising channels. The maturity of deposits and loans is carefully planned and managed to reduce liquidity risk. During the year, we lengthened the average debt maturity of the Group through the arrangement of medium/long-term loan facilities and issuance of long-dated bonds. Our Medium Term Note Program gives us the flexibility to tap the bond market if necessary. The Group closely monitors the markets to manage the refinancing risks in a prudent manner.

(c) Credit/Counterparty

Credit/counterparty risk exposure is primarily in the areas of rents receivable, installments receivable relating to property sales, and deposits placed with banks.

We undertake careful credit assessments of prospective tenants, collect rental deposits and closely monitor outstanding rents in order to mitigate rents receivable risk. We also protect receivables related to property sales by using properties as collateral. Bank exposure limits are assigned so that we can mitigate concentration risks on our deposits, which are only made with banks that have sound financial strength and/or good credit ratings.

(d) Use of Derivatives

We use derivative instruments for hedging purpose only; the Group's policies do not permit derivative transactions for speculative purposes.

Business and Operational Risk

We ensure our properties remain competitive and up to the highest standards by closely monitoring market trends and the business environment. Regular maintenance and enhancement help us uphold the safety and quality of our properties. To protect the Group's assets, we employ seasoned professionals who oversee the design, progress and capital expenditures of major maintenance and enhancement projects. They report to an Asset Enhancement Committee of senior management representatives from different departments. Together with appropriate insurance coverage against accidental losses and/or other hazards, we have established internal controls to safeguard our assets and reputation against any potential liabilities.

In addition to these controls, we have an independent internal audit team who reviews key activities of the Group and ensures all material controls, including financial and operational, are functioning effectively. As part of the Group's crisis management plan, precautionary and contingency measures are also in place to ensure the Group is protected against major potential loss, damage or impact to our operations.

As a global corporate citizen, we have a duty to act responsibly. We place a high priority on sustainability in design and construction of new buildings. Guided by our We Do It Right principle, we not only meet minimal regulatory requirements but go beyond them to ensure our properties meet higher level of environmental standards.

People Risk

Through our Nomination and Remuneration Committee, we ensure the Group's remuneration levels for Directors and senior management are competitive in the market. This Committee has also established a management succession plan to ensure the continuity of our operations.

Our success as a business depends on the caliber of our people. In order to attract, motivate and retain talented employees, we evaluate our employee remuneration packages and monitor them against market trends. We also provide training or financial support for additional training through recognized professional programs to help our staff reach their full potential. To encourage two-way staff dialogue, we have clearly-established channels of communication and a grievance reporting system in place for all levels of staff. When staff depart, we conduct exit interviews to gather feedback and suggestions for future improvement.

SUMMARY OF PRINCIPAL RISKS AND KEY CONTROLS

<p>Land Bank Acquisition and Property Development Risk</p> <ul style="list-style-type: none"> • Close monitoring on market fluctuations and changes in government policies in mainland China • A solid land bank • Risk-and-return assessments • Periodic reviews of project costs and progress • Controls over variations/changes during construction • Quality assurance reviews on projects under development • Tight tendering procedures • Regular reporting to the Board 	<p>Business and Operational Risk</p> <ul style="list-style-type: none"> • Close monitoring on market trends and business environment • Regular maintenance and renovation of facilities • Oversight by Asset Enhancement Committee and professionals • Appropriate insurance coverage • Internal Audit • Crisis management plan
<p>Treasury Risk</p> <p>(i) Interest rates and foreign exchange</p> <ul style="list-style-type: none"> • Management of fixed/floating debt ratio against interest rate fluctuations • Use of recurring rental turnover in Renminbi as a natural hedge against loans • Appropriate level of Renminbi reserves to meet capital requirements for ongoing projects in mainland China <p>(ii) Cash management, funding and liquidity</p> <ul style="list-style-type: none"> • Central treasury management • Manage and plan maturity of deposits and loans <p>(iii) Credit/Counterparty</p> <ul style="list-style-type: none"> • Credit assessments • Rental deposits • Close monitoring of outstanding receivables • Use of banks with good financial strength and credit ratings <p>(iv) Derivatives</p> <ul style="list-style-type: none"> • Prohibition of use of derivatives for speculation 	<p>People Risk</p> <ul style="list-style-type: none"> • Periodic remuneration package evaluation and benchmarking • Management succession plan • Staff training program and support • Grievance reporting system



Caring Insights

Hang Lung is committed to sustainability in all areas of its business. From our staff to the wider community and the environment, our pledge is to encourage sustainable growth and development for all. Excellence in standards and success in business see sustainability in the holistic development of all with whom we come into contact.





二零一四年恒隆數學獎頒獎典禮

10th Anniversary

2014 Hang Lung Mathematics Awards

Announcement and Awards Presentation





Sustainable Development

In 2014, Hang Lung remained focused on embedding sustainability into our business operations; constructing and managing world-class buildings; working towards becoming the Employer of Choice; contributing to the communities in which we operate through the Hang Lung As One volunteer team; and formulating strategic partnerships with our suppliers and community partners to create long-term benefits for our business and the community.

OUR FOUNDATION

We live up to our business philosophy – We Do It Right – in our approach to sustainability in order to create value both for our business and the community. Our Sustainability Steering Committee, comprising key executives, reports directly to the Managing Director to ensure that concrete actions are taken and adequate resources are allocated to achieve our sustainability vision. We hold our executives accountable by incorporating sustainability linked key performance indicators into their performance evaluation.

Our business is built on the solid foundation of integrity. We actively cultivate a culture of integrity among our employees and business partners through the Hang Lung Integrity Program and the Supplier Code of Conduct. In 2014, 323 training hours were conducted for the Hang Lung Integrity Program. Assessments of the implementation of the Supplier Code of Conduct were conducted with five suppliers which contributed 18% to our annual procurement spending.

We aim to be honest and transparent with our stakeholders by sharing detailed information regarding our management approach, business and sustainability performance, and future plans, in both our annual report and sustainability report. For our sustainability reports, we have steadily increased the scope and scale of information disclosed. It remains our aim to be for our investors, tenants, customers, employees and for the community at large, one of the most transparent and well-governed corporations in mainland China.

We value the importance of two-way communication with our stakeholders and provide channels for our stakeholders to provide feedback and contribute to our decision-making process. This year, we appointed an independent consultant to facilitate a structured engagement with our key stakeholders through an extensive survey, focus groups, and one-to-one interviews. The feedback received was very constructive in assisting senior management in formulating the next three-year sustainability plan.

OUR BUILDINGS

As a top-tier property developer in Hong Kong and mainland China, we recognize the dual role we play in generating sustainable returns for our investors and in driving long-term economic development in the communities in which we operate. Our long-term business model, building to own and building to last, remains the ethos under which we design, construct and operate our properties. To this end, it has been the consistent aim of the company to align the standards of our buildings with international best practices, in the interest of both the company and the wider community.

We invest significant resources in environmental equipment and features in our properties. Riverside 66, opened in Tianjin in September 2014, is the latest demonstration of our commitment to green investment. We chose building envelopes to optimize the building's insulation during hot and cool seasons and heat recovery systems that enhance energy efficiency. Energy-efficient lighting and chillers were installed to further optimize energy consumption in the operation of the building. Additionally, we have been successful in our recycling initiatives and have recycled a large variety and high volume of waste. These trends reflect the result of our commitment to attain the Leadership in Energy and Environmental Design (LEED) Gold certification issued by the U.S. Green Building Council across all new projects in mainland China and the benefit of incorporating environmental considerations into the design of the buildings. While Riverside 66 already received the Gold Level certificate under the LEED for Core and Shell Development in 2015, our 10th project on the Mainland, Heartland 66 in Wuhan, also received the pre-certification gold standard in 2014.



Hang Lung is one of the 64 listed companies that are first-movers in disclosing carbon data through the Carbon Footprint Repository for Listed Companies in Hong Kong



Amoy Gardens Management Office provides extra waste recycling facilities and organizes promotional activities to encourage residents to participate in the Municipal Solid Waste Charging Pilot Scheme

In Hong Kong, we focus on enhancing the environmental performance of our existing buildings. Since 2006, we have improved the energy efficiency of our buildings primarily through the replacement of our air conditioning chillers. In 2014, we achieved a 14% reduction in electricity consumption as compared to our 2010 baseline. It is worthy to note that this has much exceeded our target. We also focused our efforts on supporting our tenants and customers to manage their waste, as this is an area about which the Hong Kong government and the community at large have expressed concerns in recent years. In 2014, Amoy Gardens participated in the Municipal Solid Waste Charging Pilot Scheme initiated by the Environmental Protection Department. We further supported this initiative by encouraging residents to recycle their food waste and use the resultant fertilizer to plant vegetables and fruits in a designated area of Amoy Gardens.



We started collecting data on the environmental performance of our buildings in 2010 and we now have a better understanding of their environmental impacts which is useful information we rely on to enhance our systems accordingly. We are proud to be one of the 64 listed companies that are first-movers in disclosing carbon data through The Carbon Footprint Repository for Listed Companies in Hong Kong, which was co-organized by the Environment Bureau and Hong Kong Exchanges and Clearing Limited in 2014.



Let's Go Green was the theme of Hang Lung's Annual Dinner 2014



The Hang Lung Management Trainee program attracts numerous university graduates from Hong Kong, the Mainland and overseas to apply

OUR PEOPLE

The size of our workforce has been growing rapidly in recent years reflecting the fast growth of our business interests, particularly in mainland China. Our focus in people management is attracting, developing and retaining the best talent. Withstanding the market competition for talent in both Hong Kong and mainland China, we have in recent years taken the prudent approach of continuously reviewing the remuneration packages of our employees, as well as conducting benchmarking exercises with other market leaders. During 2014, we conducted compensation benchmarking of key and defined positions across the board. We also further aligned our human resource management to ensure that our employees are protected and compensated equally and fairly.

In developing our talent, we have further strengthened our employee training and development programs. Our emphasis is on providing professional and high-quality training that meets the growing needs of our business and the aspirations of our employees. We capitalized on the expertise and knowledge of our employees through the Team Building Program and Executive Exchange Program to allow them to learn from each other. We also invited industrial experts and renowned academics to share their expert knowledge with employees. These included a branding and digital marketing professional as well as a professor from the Tsinghua University who shared his insights on the real estate market in mainland China.

In retaining our talent, we believe that cultivating a greater sense of belonging to the company is key to people management. We organize work-life-balance initiatives like recreational and volunteer activities, annual outings, as well as annual dinners for our employees working in different business units and regions. A Green Office campaign was also carried out under which regular green talks, visits and workshops were organized for our employees with the objective of promoting green living within the office environment.

As a result of our efforts, our turnover rate in 2014 was 12.4%, which is lower than that in 2013. In addition, we were recognized as a Family-Friendly Employer for the second time by the Family Council of the HKSAR Government.

OUR COMMUNITIES

At Hang Lung, we are committed to fulfilling our corporate responsibility by serving the communities in which we operate. We also engage with our communities throughout our renovation and construction process to ensure the environmental impact that we have, if any, will be at a minimal level. Visits and discussion sessions have also been held with local neighborhoods with this objective in mind.



The Hang Lung As One volunteer team organizes a refreshing summer poolside party for 30 elderly people



A series of Architectural Tours leads over 70 secondary school students to observe and study Hong Kong's distinctive architectural landmarks

Community engagement

At Hang Lung, we recognize the importance of considering the impact that our business has on local communities throughout the life cycle of our buildings. We consult our stakeholders to ensure that we meet their expectations and aspirations on sustainability. We have also established a framework for collecting information on our sustainability performance which allows us to make continuous improvement. In areas of significant historical or cultural interest in our development projects, we work with the community to preserve or revitalize them as much as we can.

Support for communities

In 2014, we provided HK\$22 million of financial donations and offered free venues to support various worthwhile causes. Through the Hang Lung As One volunteer team, we contributed 11,000 hours in voluntary service to society last year, a 72% increase compared to 2013.

Our sustainability initiatives and volunteer activities focus on three areas: youth development, environmental protection, and services to the elderly. Most of these initiatives were carried out through our volunteer teams in Hong Kong and mainland China. Some highlights of our initiatives are listed below:

Youth development

- Architectural tours with the themes Hong Kong History and Core Values and Conservation and Development were organized with staff volunteers trained to be docents for over 70 secondary school students.



Volunteer Hours

11,000

↑ 72%

Promoting green living

- The Hang Lung Green LEEDers program was organized for the third consecutive year to promote the message of environmental protection to 240 youngsters in Hong Kong and mainland China.

Services for the elderly

- In 2014, we organized 18 volunteer activities for senior citizens in Hong Kong and mainland China. These included a poolside party, delivery of seasonal soups, home-made mooncakes, as well as handicrafts to the elderly on a regular basis.

OUR PARTNERSHIPS

We recognize the importance of establishing strategic partnerships with our key stakeholders. Managing our supply chain effectively is integral to our business strategy. This means having a robust system in place to continuously review our supply chain practice, taking concrete actions to enhance the quality of the services and products we procure, and working closely with our suppliers to improve their sustainability performances. One area in which we have devoted more resources and effort in recent years has been working more closely with our contractors to track and continuously improve their occupational health and safety performance. Recognizing the inherent risks in any construction site, we began the process in 2013 to collect the occupational health and safety data of our contractors. We also conducted training sessions in occupational health and safety for our contractors.

We believe in cultivating meaningful long-term partnerships with community organizations, thus we select partners that share our sustainability vision. We focus on areas that are aligned with our overall business strategy and the needs of the community. For example, we established the Hang Lung Center for Real Estate, Tsinghua University, which is a research institute jointly developed by Tsinghua's School of Civil Engineering, School of Economics and Management and School of Architecture to strive for research excellence and develop talent for the industry. In September 2014, the Center along with two academic institutions launched the first Chinese Residential Land Price Indexes, which track changes in the real value of residential land parcels in 35 major cities across mainland China.



2014 marks the 10th anniversary of the Hang Lung Mathematics Awards (HLMA). The HLMA is co-organized by Hang Lung and the Institute of Mathematical Science and Department of Mathematics of The Chinese University of Hong Kong. This program is held every two years to encourage secondary school students to discover their potential in mathematics and science. To date, more than 1,700 students have taken part in HLMA, with Hang Lung awarding a total of HK\$6 million in scholarships to assist their studies over the past decade.

For more information about our sustainability performance, please refer to the 2014 Sustainability Report.

Financial Calendar

2014

JUL

Announcement of interim results July 31, 2014

SEP

Interim dividend paid September 30, 2014

2015

JAN

Announcement of annual results January 26, 2015

APR

Latest time for lodging transfers
(for attending and voting at annual general meeting) 4:30 p.m. on April 27, 2015

Closure of share register
(for attending and voting at annual general meeting) April 28 to 29, 2015
(both days inclusive)

Annual general meeting
(Details are set out in the notice of annual general meeting accompanying this annual report) 11:00 a.m. on April 29, 2015

MAY

Latest time for lodging transfers (for final dividend) 4:30 p.m. on May 5, 2015

Closure of share register (for final dividend) May 6, 2015

Proposed final dividend payable May 19, 2015

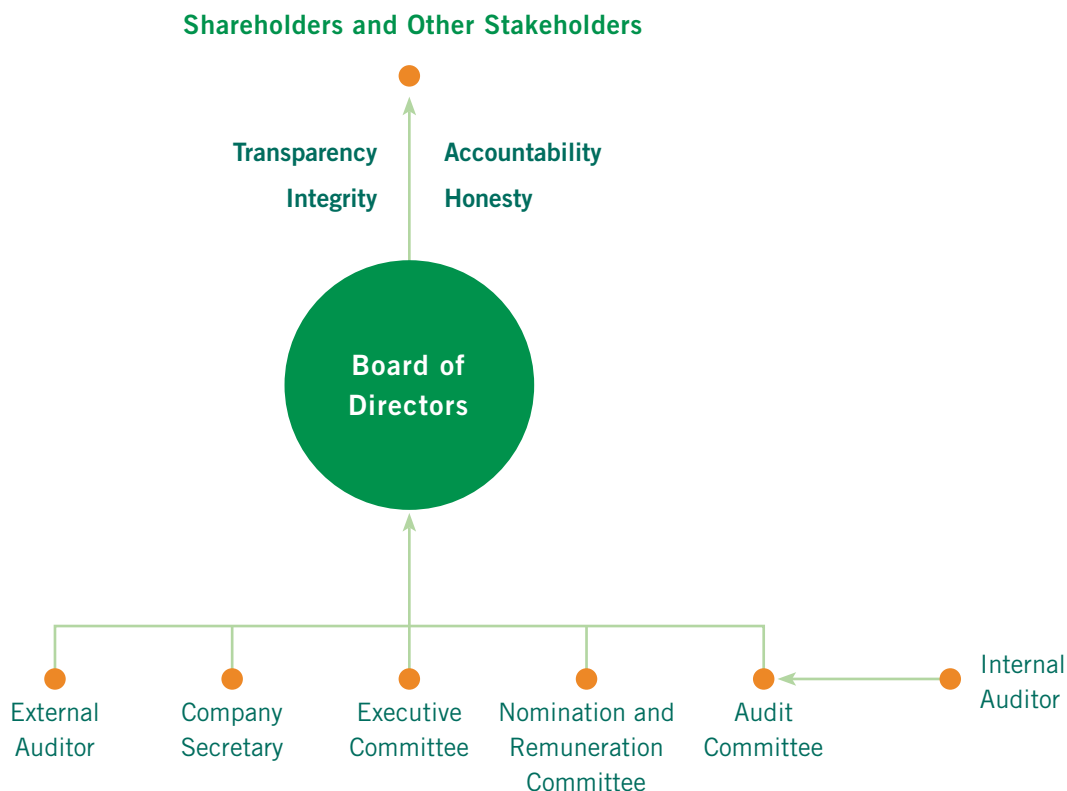
Corporate Governance Report

Hang Lung is committed to maintaining highest standards of corporate governance to protect the interests of our stakeholders. To prepare itself to overcome the highly competitive and challenging business environment in recent years, Hang Lung has well established a strong corporate governance structure and sound corporate culture which are essential to our sustainable growth and long-term success. In particular, the Board of Directors (the “Board”) is committed to promoting a culture of integrity throughout Hang Lung in face of the intense competition in the Mainland market and the inherent risk of bribery and corruption in the real estate industry.

OUR STRONG BELIEF IN GOVERNANCE

Hang Lung firmly believes that strong governance is the foundation for delivering the corporate objective of maximizing return to its stakeholders over the long term. The core of the governance structure is an effective and qualified Board which is committed to maintaining highest standard of corporate governance, sound internal controls and effective risk management to enhance transparency, accountability, integrity and honesty, in order to earn the confidence of our shareholders and other stakeholders.

CORPORATE GOVERNANCE STRUCTURE



A SOUND CORPORATE CULTURE

As good governance is essential to corporate success, we have always been proud of our We Do It Right principle that has guided us to operate our business with integrity and honesty. A sound governance culture has to reach all levels and the highest standards of integrity and honesty from every employee in every process are expected. The professional management together with the Board strive to instill integrity into every aspect of our business and maintain the highest standards of corporate governance in every city where the Company is operating its world-class projects.

PROFESSIONAL AND RESPONSIBLE BOARD

The Board comprises professionals from different facets of society who bring a wide range of business and financial experience and expertise to the Board. The Board includes a balanced composition of Executive and Non-Executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgment. To enhance the function of the Board, three Board Committees, namely the Executive Committee, Audit Committee and Nomination and Remuneration Committee had been set up to take up different responsibilities.

PRUDENT RISK MANAGEMENT

The Group recognizes the various risk factors it will face in its operations, and properly deals with them in a manageable manner by setting a good internal control environment and making continuous improvements to suit changing operational needs. Further explanations are disclosed hereunder and under the paragraph headed “Risk Management” in the Management Discussion and Analysis of this annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As good corporate citizens, we have adopted and fully complied with, and in many cases exceeded, the code provisions and some recommended best practices of the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The following are the major aspects of our corporate governance practice in addition to the code provisions and some recommended best practices of the CG Code.

- Six regular Board Meetings were held in 2014.
- A strong independent element is maintained on the Board as over half of the Board is represented by Independent Non-Executive Directors.
- Management is invited to join the Board Meetings, where appropriate, to provide appropriate information to enable the Directors to make an informed decision and to discharge their duties and responsibilities.
- The Nomination and Remuneration Committee is made up of entirely Independent Non-Executive Directors to ensure no Executive Director is involved in deciding his own remuneration package.
- The Audit Committee met the external auditor four times without the presence of the Executive Board members in 2014.
- Since 2008, the Company has announced its interim and annual results within one month from the end of the accounting period.
- Our Internal Audit Department is independent of our daily operation and accounting functions.
- The Company has adopted a corporate Code of Conduct since 1994 which is applicable to all staff and Directors. The Code of Conduct contains our well-defined whistle-blowing policy.
- The Company continuously enhances its website as a means of communication with stakeholders. Principal corporate governance structures, newsletters and webcasts of analysts' briefings are available on our website.
- The Group has reviewed and revised the policy governing the engagement of the external auditor for non-audit services to ensure the independence of the external auditor.
- In addition to the Chairman's Letter to Shareholders, the Chairman explains to the shareholders the business strategies and outlook of the Group in the annual general meeting ("AGM") and proactively opens a dialogue with shareholders.

(I) Effective and Qualified Board

1. Composition and Functions

The list of Board members is set out on page 195 of this annual report. Board members possess diverse academic and professional qualifications or related financial management expertise and bring a wide range of business and financial experience to the Board.

The Board has established a policy setting out the approach to achieve diversity on the Board (the “Board Diversity Policy”) with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service.

The Board Diversity Policy was taken into account by the Nomination and Remuneration Committee and the Board in the appointments of Prof L.C. Tsui and Mr Martin C.K. Liao as Independent Non-Executive Directors of the Company in November 2014. The diversity of the Board was further enhanced in terms of balance of skills, experience and professional background. The current Board consists of a diverse mix of Board members with appropriate skills and experience to lead and oversee the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.

An updated list of Board members identifying their roles and functions and whether they are Independent Non-Executive Directors is maintained on our website and the website of Hong Kong Exchanges and Clearing Limited (“HKEx”). Their biographical details, disclosed on pages 113 to 119 of this annual report, are also maintained on our website.

The Board is responsible for, among other things:

- ensuring continuity of leadership;
- development of sound business strategies;
- availability of adequate capital and managerial resources to implement the business strategies adopted; and
- adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations.

Non-Executive Directors (including the Independent Non-Executive Directors) have made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments. They gave the Board and the Committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

All Directors are required to disclose to the Company their offices held in public companies or organizations and other significant commitments.

In 2014, six regular Board Meetings were held. Three Board Meetings were held during three offsite Board trips including visits to Tianjin for the opening ceremony of Riverside 66 and Shanghai for a malls visit.

Details of Directors' attendance records in 2014 are set out below:

Directors	Meetings Attended/Held			
	Board	Audit Committee	Nomination and Remuneration Committee	2014 AGM
Independent Non-Executive Directors				
S.S. Yin	5 / 6	N/A	N/A	1 / 1
H.K. Cheng	6 / 6	4 / 4	1 / 1	1 / 1
Laura L.Y. Chen	6 / 6	4 / 4	1 / 1	0 / 1
Simon S.O. Ip	5 / 6	4 / 4	1 / 1	1 / 1
L.C. Tsui*	N/A	N/A	N/A	N/A
Martin C.K. Liao*	N/A	N/A	N/A	N/A
Non-Executive Director				
Gerald L. Chan	3 / 6	N/A	N/A	0 / 1
Executive Directors				
Ronnie C. Chan	6 / 6	N/A	N/A	1 / 1
Philip N.L. Chen	6 / 6	N/A	N/A	1 / 1
H.C. Ho	6 / 6	N/A	N/A	1 / 1

* Prof L.C. Tsui and Mr Martin C.K. Liao were appointed as Independent Non-Executive Directors of the Company on November 10 and November 25, 2014 respectively. No meetings were held from their respective date of appointment up to December 31, 2014.

All Directors can give notice to the Chairman or the Company Secretary if they intend to include matters in the agenda for Board Meetings. Full Board or Committee papers will be sent to all Directors or Committee members at least three days before the intended date of a Board Meeting or Committee Meeting respectively. Management also supplies the Board and its Committees with sufficient information and explanations so as to enable them to make an informed assessment of financial and other information put before the Board and its Committees for approval. Management is also invited to join Board Meetings where appropriate.

Furthermore, management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the Listing Rules.

All the Directors are entitled to have access to timely information in relation to our business and make further enquiries where necessary, and they can have separate and independent access to management.

In addition, all Directors have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chairman and to the Board on corporate governance and the implementation of the CG Code. The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training in 2014.

Procedures have also been agreed by the Board to enable Directors to seek independent professional advice at the Company's expense.

Under our articles of association, a Director shall not vote or be counted in the quorum in respect of any contract or arrangement in which he/she or any of his/her associates is/are materially interested.

We have also arranged appropriate insurance cover on Directors' and officers' liabilities in respect of legal actions against them arising from corporate activities. The insurance is reviewed every year to ensure fair and sufficient coverage is made.

2. Clear Division of Responsibilities between Chairman and Managing Director

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority.

Chairman

The Chairman, Mr Ronnie C. Chan, provides leadership for the Board. He is responsible for ensuring that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable and that Directors are properly briefed on issues arising at Board Meetings. He also ensures that:

- the Board works effectively and discharges its responsibilities;
- all key and appropriate issues are discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established; and
- appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

He, at least annually, holds meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the Executive Directors being present.

He is primarily responsible for drawing up and approving the agenda for each Board Meeting. He takes into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda, or delegates such responsibility to the Company Secretary.

He encourages all Directors to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company. He encourages Directors with different views to voice their concerns, allows sufficient time for discussion on issues on which the Board can deliberate and reach decisions.

He promotes a culture of openness and debate by facilitating the effective contributions of Non-Executive Directors in particular and ensures constructive relations between Executive Directors and Non-Executive Directors.

He also arranges suitable training to Directors to refresh their knowledge and skills.

Managing Director

The Managing Director, Mr Philip N.L. Chen, is a member of the Executive Committee of the Company and is responsible for:

- leading the management team to operate the business of the Company and implementing policies and strategies adopted by the Board;
- the Company's day-to-day management in accordance with the instructions issued by the Board;
- developing strategic operating plans that reflect the objectives and priorities established by the Board and maintaining operational performance; and
- ensuring the adequacy of financial and internal control systems and the conduct of business in conformity with applicable laws and regulations.

The Managing Director chairs the monthly meetings of the Company's various operational divisions. He reports to the Board from time to time on matters of material importance.

To cope with the fast pace of expansion and the ever-changing operating environment, management, under the leadership of the Managing Director, has put great effort in enhancing our operating system as well as our corporate culture with a regular integrity program for our staff. These reflect the way Hang Lung runs its business – We Do It Right.

3. Independence of Non-Executive Directors

We have received from each of our Independent Non-Executive Directors an annual confirmation of his/her independence and we consider the Independent Non-Executive Directors are independent.

To further enhance accountability, any appointment of an Independent Non-Executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. We will state in the notice of the AGM the reason why we consider the Independent Non-Executive Director is still independent and our recommendation to shareholders to vote in favor of the re-election of such Independent Non-Executive Director.

4. Appointment, Re-election and Removal

In accordance with our articles of association, one-third of the Directors are required to retire from office by rotation for re-election by shareholders at an AGM. In addition, every Director is subject to retirement by rotation at least once every three years, and new appointments to the Board are subject to re-election by shareholders at the upcoming general meeting. Names of such Directors eligible for re-election, being accompanied by detailed biographies, will be stated in the notice of the general meeting.

The Non-Executive Director and Independent Non-Executive Directors are appointed for specific terms, which coincide with their expected dates of retirement by rotation at least once every three years.

5. Directors' Continuous Professional Development

Every newly appointed Director will meet with fellow Directors and key executives, and will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment. Subsequently, he/she will receive any briefing and professional development necessary to ensure he/she has a proper understanding of the Company's operations and business and full awareness of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements, and especially the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of Directors.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In 2014, the Company has arranged for Directors three offsite Board trips including two visits to our property projects in mainland China.

Directors' training records in 2014 are summarized below:

Directors	Types of Training
Ronnie C. Chan	A, B, C, D
S.S. Yin	A, B, D
Philip N.L. Chen	A, B, C, D
Gerald L. Chan	A, B
H.K. Cheng	A, B, D
Laura L.Y. Chen	A, B
Simon S.O. Ip	A, B, D
L.C. Tsui	B, D
Martin C.K. Liao	B
H.C. Ho	A, B, D

- A Attending seminar(s)/forum(s)
- B Reading materials relating to general business, property development and investment, directors' duties and responsibilities and so on
- C Giving talks to external seminar(s)/forum(s)
- D Attending corporate event(s)/visit(s)

(II) Delegation by the Board

The Executive Committee, Audit Committee and Nomination and Remuneration Committee were formed in 1989, 1999 and 2003 respectively.

1. Executive Committee

The Executive Committee of the Board of the Company was formed in 1989. Its members are all the Executive Directors of the Company, who meet regularly to establish the strategic direction of the Company, and to monitor the performance of management. Clear terms of reference have been adopted by the Board, and guidelines were also set up for certain issues requiring Board approval. Each of the Committee members has full understanding on determining which issues require a decision of the full Board and which are delegated by the Board to the Committee or management.

2. Audit Committee

An Audit Committee was established by the Board in 1999. During the year 2014 and up to January 26, 2015, the Committee comprises entirely Independent Non-Executive Directors with appropriate academic and professional qualifications or related financial management expertise, namely Mr Simon S.O. Ip (Chairman of the Committee), Dr H.K. Cheng and Ms Laura L.Y. Chen.

Under the CG Code, it is required that meetings are held at least two times a year with the external auditor. Separate meetings will also need to be held with the external auditor (in the absence of management) as and when required. The Audit Committee has exceeded

the CG Code and has held four meetings for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Group's internal controls in 2014. Moreover, the Committee met the external auditor four times in 2014 without the presence of the Executive Board members.

The terms of reference explaining the Committee's role and authority, which include duties regarding corporate governance functions and as a minimum the specific duties as stipulated in the Listing Rules, are available on both our website and the website of HKEx.

The Committee is authorized by the Board to investigate any activity within its terms of reference; to seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by the Committee; to obtain outside legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise to their meetings if necessary. Sufficient resources are provided to the Committee to discharge its duty.

In 2014, the Audit Committee has performed, inter alia, the following:

Relationship with External Auditor, Review of Financial Information and Oversight of Financial Reporting System and Internal Control Procedures

- reviewed and obtained an explanation from management and the external auditor about the interim and annual results, including the causes of changes from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- considered and proposed to the Board the re-appointment of KPMG as the Company's external auditor and approved its terms of engagement;
- considered and approved the procedures and guidelines in employing the external auditor to perform non-audit assignments for the Company;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the external auditor in the absence of management to discuss any material audit issues;
- endorsed the Internal Audit Charter for approval of the Board;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit program for 2015; and
- carried out reviews of the internal control system of the Company including senior management's structure, risk management, the adequacy of resources, staff qualifications and experience, training programs and the Company's procedures for financial and functional reporting.

Corporate Governance Functions

- reviewed and approved the Company's policies on corporate governance and compliance with legal and regulatory requirements;
- reviewed and monitored the training and continuous professional development of Directors; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Audit Committee also meets quarterly to review and monitor the progress and construction costs of Mainland development projects.

3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, comprises entirely Independent Non-Executive Directors, namely Dr H.K. Cheng (Chairman of the Committee), Ms Laura L.Y. Chen and Mr Simon S.O. Ip during the year 2014 and up to January 26, 2015. Regular meetings were held to review significant changes in the salary structure of the Group and terms and conditions affecting Executive Directors and senior management. The Committee met once in 2014 to review, inter alia, the composition of Board members and Directors' remuneration.

The terms of reference of the Committee can be accessed on both our website and the website of HKEx.

The major work performed by the Committee in 2014 included the following:

- reviewed the Board Diversity Policy and its implementation;
- reviewed the structure, size and diversity of the Board;
- assessed the independence of the Independent Non-Executive Directors;
- made recommendations to the Board on the selection of individuals nominated for directorship in view of the qualifications and related expertise;
- made recommendations to the Board on the re-election of retiring Directors at the AGM;
- made recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration;
- determined the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments; and
- made recommendations to the Board on the remuneration of the Non-Executive Director and Independent Non-Executive Directors.

The remuneration package of Executive Directors and senior management, including discretionary bonuses and share options, is based on the following criteria:

- individual performance;
- skills and knowledge;
- involvement in the Group's affairs;
- achievement of business targets; and
- performance and profitability of the Group.

The Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Committee obtains benchmark reports for evaluation of market trends and the competitive levels of remuneration being offered to Directors and senior management. Sufficient resources are provided to the Committee to discharge its duties. The Committee may consult the Chairman and the Managing Director about remuneration proposals of other Executive Directors and has access to independent professional advice if necessary.

Details of remuneration payable to members of the senior management (which includes Executive Directors only) are disclosed in note 7 on the financial statements.

4. Management Functions

Senior management includes Executive Directors of the Company only. Their duties were explained in the paragraph headed "Executive Committee" above. Key executives are responsible for the day-to-day operations and administration function of the Group under the leadership of the Executive Directors. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements will be reviewed periodically to ensure that they remain appropriate to our needs.

(III) Directors' Securities Transactions and Share Interests

1. Compliance with Model Code

We have set out guidelines regarding securities transactions by Directors under “Transactions in the Company's Shares” in our Code of Conduct according to the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). The Company has made specific enquiries to all Directors and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding Directors' securities transactions.

2. Share Interests of Directors

Details of Directors' interests in shares of the Company and our listed subsidiary, Hang Lung Properties Limited as at December 31, 2014 are as follows:

Name of Directors	The Company		Hang Lung Properties Limited	
	Number of Shares	Number of Shares under Option	Number of Shares	Number of Shares under Option
Ronnie C. Chan	5,090,000	6,700,000	5,090,000	38,730,000
S.S. Yin	–	–	–	–
Philip N.L. Chen	–	–	–	21,500,000
Gerald L. Chan	–	–	–	–
H.K. Cheng	–	–	–	–
Laura L.Y. Chen	–	–	–	–
Simon S.O. Ip	–	–	–	–
L.C. Tsui	–	–	–	–
Martin C.K. Liao	–	–	–	–
H.C. Ho	–	–	–	10,450,000

(IV) Accountability and Audit

1. Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. A statement by the external auditor, KPMG, about their reporting responsibilities is included in the Independent Auditor's Report on the Company's financial statements.

The Directors endeavor to ensure a balanced, clear and understandable assessment of the Company's position and prospects in annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

2. Internal Controls

We maintain a good internal control environment to enable the internal control systems and procedures to perform effectively and to make improvements. The Code of Conduct details the Group's philosophy in running its business and acts as a benchmark for all staff to follow.

Internal control systems have been designed to allow us to monitor the Group's overall financial position, to safeguard its assets against major loss and misappropriation, to provide reasonable assurance against material fraud and errors, and to manage the risk in failing to achieve the Group's objectives. Our internal control systems are developed with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles. There are five important elements for an effective internal control system as follows:

Control environment – the foundation for the other components of internal control. The resulting control environment has a pervasive impact on the effectiveness of the overall internal control systems. It provides the basis for carrying out internal control across the organization. The factors that may affect the control environment include integrity, ethical values, management's operating style, delegation of authority, as well as the processes for managing and developing people. Directors and senior management understand a strong control environment supports the functioning of all other components of internal control. As a result, we have established the right tone at the top regarding the importance of internal control including expected standards of conduct.

Risk assessment – the identification, evaluation and analysis of risks underlying the achievement of our business objectives. It helps management to determine how such risks should be managed and mitigated. Directors and senior management use the risk assessment process to identify risks, both internally and externally, and assess their likelihood that may impact our operation. After that, we design and implement the controls to mitigate such risks in order to achieve our objectives.

Control activities – the policies and procedures that help to ensure management directives are carried out and necessary actions are taken to address the risks that may hinder the achievement of the Group's objectives. Therefore, we have designed and implemented different types of control activities such as the approvals and authorizations policies, performance reviews, segregation of duties, departmental procedures and manuals, establishment of committees and working groups etc., in order to ensure the efficient and effective operation of the Group. Moreover, we will revisit these activities periodically, so that they can address the latest changes of the risks in achieving our business objectives.

Information and communication – the process and system to identify and capture pertinent information and communicate it to the right person in a timely manner. Directors and senior management have adopted an open environment to facilitate the effective communication within the Group. In addition, we have implemented a functional reporting mechanism so that the local management at subsidiaries level can report to the respective functional head in Hong Kong. As a result, the information can be communicated directly and effectively throughout the Group.

Monitoring – the process that assesses the quality of the system's performance over time. It ascertains that the internal control of the Group continues to operate effectively. This is accomplished through ongoing monitoring activities and evaluations performed by management. More significantly, Internal Audit performs regular independent review on the Group's internal control and directly reports to the Audit Committee. Deficiencies in internal control are reported upstream and rectifications are taken to ensure continuous improvement of the system.

At Hang Lung, we have a well-defined specific limit of authority governing activities of the Executive Committee, Directors, executives and senior staff. Annual and mid-year budgets for all capital and revenue items are prepared and approved by senior management and key executives before being adopted. We monitor the business activities closely and review monthly financial results of operations against budgets. We also review, update and improve the internal controls to meet upcoming challenges.

We take proactive precautionary measures in handling and dissemination of price-sensitive information. Such information is restricted to a need-to-know basis. We have adopted a policy on disclosure of price-sensitive information and senior executives are reminded of the compliance of the policy every six months.

We maintain an Internal Audit Department which is independent of our daily operations and accounting functions. The Internal Auditor reports directly to the Audit Committee. An internal audit program based on risk assessment methodology has been designed and reviewed by the Audit Committee on an annual basis. On a monthly basis, the Internal Auditor discusses his internal audit reviews and findings with the management and obtains management's responses on various issues. Internal audit reports are prepared for the Audit Committee every quarter.

Formal meetings were held every three months between the Internal Auditor and the Audit Committee to discuss internal audit issues in 2014. During Audit Committee Meetings, the Audit Committee also enquired on financial and internal control matters with the external auditor. The Audit Committee has the authority to have direct discussion with the external auditor in the absence of management if deemed necessary, and they meet at least twice annually for this purpose. Executive Director(s) is/are present at the Audit Committee Meetings to answer enquiries from the Audit Committee and to report to the Board on matters arising.

The Directors acknowledged that it was their responsibility to maintain effective risk management and internal control systems. In this regard, the Directors had reviewed them four times in 2014 via the Audit Committee. The Directors manage risks by strategic planning, appointing appropriately qualified and experienced personnel at senior positions, monitoring the Group's performance regularly, maintaining effective control over capital expenditure and investments, and setting a Code of Conduct for all Directors and employees to follow.

The Directors through the delegation to the Audit Committee had conducted a review covering all material controls, including financial, operational and compliance controls and risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2014, and were satisfied that an effective and adequate internal control system had been in operation.

The resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function were considered adequate. The Directors came to such a conclusion based on the Company's policies and procedures, specific limits of authority, budgetary controls, regular monitoring of performance and the reports from both the external auditor and the Internal Auditor.

We identify major risks in different areas of the Group. The major risks have been covered under the paragraph headed "Risk Management" in the Management Discussion and Analysis on page 76 of this annual report.

Heightened economic and political challenges and increasing competition across our Mainland property portfolio have put downside pressures on our rental growth and occupancy, when compared with the previous financial year. The Directors believe that the Company has the ability to respond to any such changes in our business and the external environment, based on assessment of the financial impact under stressed scenarios, as well as the determination in pursuit of our long-term strategy.

Furthermore, there were no significant control failings or weaknesses identified that have not been rectified in 2014. We closely monitor our system of internal controls, and received further assurance from the Audit Committee that the internal audit function has been operating effectively. We have complied with the code provisions set out in the CG Code in respect of maintaining an effective internal control system.

3. Code of Conduct

We have adopted a corporate Code of Conduct since 1994 which is reviewed and updated from time to time.

The Code of Conduct clearly spells out the Company's stance, the legal requirements, conflicts of interest, handling of confidential information and company property, use of information and communication systems, whistle-blowing policy, relations with suppliers and contractors, responsibilities to shareholders and the financial community, relations with customers and consumers, employment practices, and responsibilities to the community. In essence, it details the Group's philosophy in running its business and acts as a benchmark for all staff and suppliers to follow.

In order to monitor and enforce compliance to the Code of Conduct, functional managers are responsible for ensuring their subordinates fully understand and comply with the standards and requirements as stipulated. Any violation thereof will result in the employee being disciplined, including termination of employment or reporting to appropriate authorities if necessary. The Executive Directors will also answer directly to any Board member for impartial and efficient handling of complaints received from all shareholders and potential shareholders, customers and consumers, suppliers and contractors and our employees. As part of our commitment to good governance, all executive staff are required to submit a signed declaration of compliance with the Code of Conduct regarding "Transactions in the Company's Shares" on a half-yearly basis.

A well-defined whistle-blowing mechanism has been put in place for reporting actual or potential violations of the Code of Conduct and other suspected irregularities. It is designed to encourage employees and other related third parties such as contractors and tenants to raise serious concerns in confidence about misconduct, fraudulent activities, or malpractices in any matter related to the Group. All the cases will be addressed to the Head of Internal Audit directly and investigated by Internal Audit on a confidential basis. The Company has also set up an e-mail account (whistleblowing@hanglung.com).

All staff are made aware of integrity issues and zero-tolerance policy on misconduct through the Code of Conduct, policies and procedures. Comprehensive and tailored training programs on integrity are arranged for all staff in Hong Kong and mainland China regularly.

Also, to make sure that all operations are managed in accordance with a high standard of practice and corporate governance, all employees are reminded of the policy governing conflict of interest situations every six months. The executives are also required to complete and sign a declaration form every six months declaring their interests, directly or indirectly, with the Company and our subsidiaries and associated companies.

4. Auditors' Remuneration

KPMG was re-appointed as our external auditor by shareholders at the 2014 AGM until the conclusion of the 2015 AGM. It is primarily responsible for providing audit services in connection with the annual consolidated financial statements.

Total remuneration in respect of services provided by the external auditors is as follows:

	Year ended December 31, 2014 HK\$ (in million)	Year ended December 31, 2013 HK\$ (in million)
Statutory audit services	11	11
Tax and other services	6	5

(V) Communication with Stakeholders

1. Shareholders

The Board has established a shareholders communication policy setting out strategies that the Company has in place to promote effective communication with shareholders, with the aim of ensuring shareholders are provided with information about the Company and enabling them to engage actively with the Company and to exercise their rights as shareholders in an informed manner. The policy is regularly reviewed to ensure its effectiveness.

Our AGM provides a good opportunity for communication between the Board and shareholders. The Chairmen of the Board and of the Committees are normally present to answer queries raised by shareholders. The external auditor also attends the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 20 clear business days before the meeting. Each separate issue is proposed by a separate resolution by the Chairman. The meeting enjoys strong participation from shareholders.

In addition to the Chairman's Letter to Shareholders, the Chairman explains to the shareholders the business strategies and outlook of the Group in the AGM and proactively opens a dialogue with shareholders.

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to the Companies Ordinance. The request must state the business to be dealt with at the meeting, signed by the relevant shareholder(s) and deposited at our registered office for the attention of the Company Secretary. Furthermore, the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company or (ii) at least 50 shareholders entitled to vote can put forward proposals for consideration at a general meeting of the Company by sending a request in writing to the registered office of the Company for the attention of the Company Secretary. The above requests authenticated by the person or persons making them may also be sent to the Company in electronic form to ir@hanglung.com.

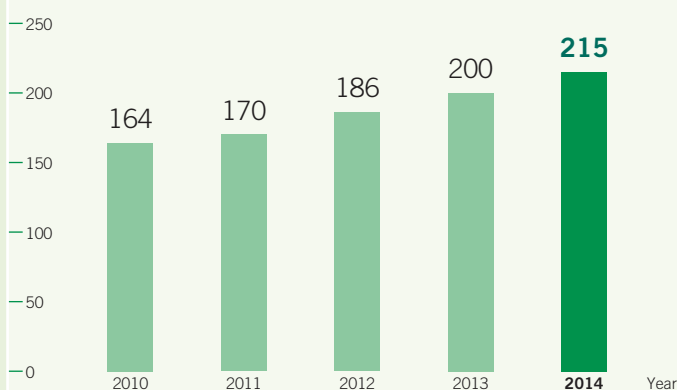
According to our articles of association, if any shareholder(s) representing not less than 10% of the total voting rights of all the shareholders having the right to attend and vote at general meetings of the Company wish(es) to propose a person (other than a retiring director) for election as a director (the "Candidate") at a general meeting of the Company, the following documents must be lodged at our registered office: (i) a written notice of such proposal duly signed by the shareholder(s) concerned; and (ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected. The period for lodgment of the above documents (being a period of at least seven days) shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered address or by e-mail to our Company at ir@hanglung.com. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about the shareholdings and entitlement to dividend. Relevant contact details are set out under "Listing Information" of this annual report.

Our last AGM was held on April 24, 2014 at Meeting Room S421, Level 4, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong. The meeting was attended by 215 shareholders present in person or by proxy. At the meeting, the Chairman had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting a poll. All resolutions tabled at the 2014 AGM, inter alia, adoption of the financial statements, re-election of Directors, re-appointment of auditor, renewal of general mandates and adoption of new articles of association of the Company in substitution of the then memorandum and articles of association of the Company were voted on by poll, and the results of poll voting were posted on the websites of our Company and of HKEx in the evening on the same day.

SHAREHOLDERS PARTICIPATION IN AGMs

Number of Shareholders



The Board confirms that there are no changes proposed to the articles of association of the Company at the forthcoming AGM to be held on April 29, 2015. The important shareholders' dates for the coming financial year, which include the Board Meetings for considering the payments of interim and final dividends for the year ending December 31, 2015 and the AGM, are expected to be held at around late July 2015, late January 2016 and in April 2016 respectively.

2. Investors

Details of shareholders by domicile as at December 31, 2014 are as follows:

Domicile	Shareholders		Shareholdings	
	Number	%	Number of Shares	%
Hong Kong	2,041	97.89	971,524,642	71.71
Mainland China	7	0.34	138,375	0.01
Macau	4	0.19	116,075	0.01
Taiwan	2	0.10	2,874	0.00
Australia and New Zealand	4	0.19	18,200	0.00
Canada and USA	14	0.67	127,490	0.01
South East Asia	1	0.04	33,000	0.00
United Kingdom	5	0.24	17,758	0.00
Others	7	0.34	382,939,828	28.26
TOTAL	2,085	100.00	1,354,918,242	100.00

Details of shareholders by holding range as at December 31, 2014 are as follows:

Holding Range	Shareholders*		Shareholdings*	
	Number	%	Number of Shares	%
1 - 1,000 shares	434	20.82	235,803	0.02
1,001 - 5,000 shares	720	34.53	2,201,499	0.17
5,001 - 10,000 shares	347	16.64	2,879,490	0.21
10,001 - 100,000 shares	534	25.61	14,421,092	1.06
Over 100,000 shares	50	2.40	1,335,180,358	98.54
TOTAL	2,085	100.00	1,354,918,242	100.00

* incorporating, in their respective shareholdings range, 248 participants of Central Clearing and Settlement System holding a total of 799,298,047 shares registered in the name of HKSCC Nominees Limited

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

We are committed to disclosing relevant information on our activities to our shareholders and investors through regular analysts' briefings, press conferences and press releases, e-mails and our website, apart from through our annual and interim reports. All enquiries and proposals received from shareholders, investors, the media or the public are responded to by Executive Directors, the Company Secretary or appropriate key executives.

The Company's information is accessible to all via our website. Besides providing traditional financial data, our website contains the most current information including properties available for sale and leasing, the latest number of issued shares, updated substantial shareholders' interests in shares, newsletters, major corporate events and frequently asked questions.

MOVING FORWARD

As a long-term player, Hang Lung will continue to strive for living up to its motto of We Do It Right by extending its concept and vision of excellence in corporate governance in Hong Kong and every city where the Group is operating its world-class projects. We are confident of offering our stakeholders one of the most transparent and well-governed corporation in Greater China.

Profile of the Directors



Mr Ronnie Chichung Chan

Chairman

Aged 65, Mr Chan joined the Group in 1972, becoming Chairman in 1991. He also serves as Chairman of Hang Lung Properties Limited, the Group's major publicly listed subsidiary. Mr Chan is Chairman of the Executive Committee of One Country Two Systems Research Institute, Vice-President of The Real Estate Developers Association of Hong Kong, Co-Chair of the Board of Asia Society and Chairman of its Hong Kong Center. He also acts as an advisor to China Development Research Foundation in Beijing. Mr Chan sits on the governing or advisory bodies of several think-tanks and universities, including Peter G. Peterson Institute for International Economics, The Hong Kong University of Science and Technology, and University of Southern California, USA, where he received his MBA. Mr Chan is the brother of Mr Gerald Chan, a Non-Executive Director of the Company.



Mr Shang Shing Yin

Vice Chairman (Independent Non-Executive Director)

Aged 83, Mr Yin joined the Group in 1970. Holding various positions on the Board, including Managing Director between 1986 and 1992, he has been Vice Chairman since 1992. He has over 40 years of experience in the fields of property investment and development, and is a qualified banker with a Banking Diploma from The Chartered Institute of Bankers in London, UK. Mr Yin also serves as Vice Chairman of Hang Lung Properties Limited.



Mr Philip Nan Lok Chen

Managing Director

Aged 59, Mr Chen joined the Company and its major listed subsidiary, Hang Lung Properties Limited, as Managing Director in July 2010. Mr Chen has more than 30 years of management experience, mostly in the aviation industry, acquiring a wealth of experience in Hong Kong, Mainland China and beyond. Mr Chen graduated from the University of Hong Kong in 1977 with a Bachelor of Arts degree and holds a Master's degree in Business Administration from the same university.



Mr Gerald Lokchung Chan

Non-Executive Director

Aged 63, Mr Chan has been a Director of the Company since 1986. As co-founder of Morningside, Mr Chan has been active in venture capital and private equity investments since 1987. He also serves on the advisory boards of numerous universities including the University of California, Los Angeles, Harvard University, Fudan University and also the Chair of Overseers Committee of Morningside College, The Chinese University of Hong Kong. Mr Chan received his undergraduate training in engineering at the University of California, Los Angeles, and his Doctor of Science degree from Harvard University. He is the brother of Mr Ronnie Chan, Chairman of the Group.



Mr George Ka Ki Chang

Non-Executive Director

Aged 62, Mr Chang joined the Board as a Non-Executive Director on March 11, 2015. He is managing director of Morningside Group chaired and co-founded by Mr Gerald L. Chan and co-founded by Mr Ronnie C. Chan. Mr Chang started his professional career in a major international accounting firm and has over eight years of experience in public accounting in Hong Kong and Toronto. Prior to joining Morningside Group in 1991, he held senior financial positions in several international manufacturing and trading companies. Mr Chang received his M.B.A. degree from the University of Wisconsin at Madison and is a member of the American Institute of Certified Public Accountants, Canadian Institute of Chartered Accountants and Hong Kong Institute of Certified Public Accountants. He sits on the board of several private companies in Asia and North America. Mr Chang formerly served as a board member of the publicly-traded companies and accumulated experience in high technology companies.



Dr Hon Kwan Cheng GBS, OBE, JP

Independent Non-Executive Director

Aged 87, Dr Cheng joined the Group in 1993. Dr Cheng obtained an engineering degree from Tianjin University and a postgraduate diploma from Imperial College, London, UK, of which he is a Fellow. He is a past President, Honorary Fellow and Gold Medallist of The Hong Kong Institution of Engineers, Fellow of the Hong Kong Academy of Engineering Sciences, and past Vice President, Fellow and Gold Medallist of The Institution of Structural Engineers, Fellow of The Institution of Civil Engineers, UK, Honorary Fellow of The Institution of Engineers, Australia, and an Authorized Person and Registered Structural Engineer in Hong Kong, with a State Class 1 Registered Structural Engineer qualification. Dr Cheng was a Member of both the Executive and Legislative Councils and Chairman of the Hong Kong Housing Authority. Dr Cheng is an Independent Non-Executive Director of Agile Property Holdings Limited, Tianjin Development Holdings Limited and Hang Lung Properties Limited. He previously acted as an Independent Non-Executive Director of Wing Hang Bank, Limited (now known as OCBC Wing Hang Bank Limited).



Ms Laura Lok Yee Chen

Independent Non-Executive Director

Aged 66, Ms Chen joined Hang Lung in 1997. As an experienced professional, Ms Chen has been active in the financial/real estate industries both in the United States and in Hong Kong since the early 80's. Since 1993 she joined as an executive director of the Sterling Group — a private investment entity managing various portfolios in global capital markets. From 2000 onwards, Ms Chen increased her professional interest in the development and management in the philanthropic arena. She is currently the executive chair of a highly strategic and impactful private foundation based in Hong Kong. She is also interested in good corporate governance of and capacity building for non-profit organizations, and in the creation of high impact private/public partnerships, particularly in public health. Ms Chen serves as a Trustee of Asia Society Hong Kong Center, and is an advisory council member of Johns Hopkins University's Hopkins Nanjing Center. She holds an MBA from the George Washington University in Washington, DC, USA, and a postgraduate certificate in International Banking from the University of Virginia, USA. Ms Chen is also an Independent Non-Executive Director of Hang Lung Properties Limited.



Mr Simon Sik On Ip CBE, JP

Independent Non-Executive Director

Aged 66, Mr Ip joined the Board in 1998. He is a solicitor and Notary Public. Mr Ip has a distinguished record of public service. A former Legislative Councillor, past President of the Law Society of Hong Kong, and a past member of the Exchange Fund Advisory Committee and The Advisory Committee on Post-service Employment of Civil Servants, he is the Founding Chairman of the Hong Kong Institute of Education, the Chairman of the Hong Kong Jockey Club, and he also holds honorary positions in two local universities and Tsinghua University. Mr Ip is an Independent Non-Executive Director of 長飛光纖光纜股份有限公司 (Yangtze Optical Fibre and Cable Joint Stock Limited Company).



Professor Lap-Chee Tsui OC, GBS, JP

Independent Non-Executive Director

Aged 64, Professor Tsui joined the Board as an Independent Non-Executive Director on November 10, 2014. Professor Tsui was the fourteenth Vice-Chancellor of the University of Hong Kong. He was a member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in-Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998. Professor Tsui also held academic appointments at the University of Toronto since 1983, was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Professor Tsui has received numerous awards for his work, including the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002 and the European Cystic Fibrosis Society Award in 2009. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate of the National Academy of Sciences of the US in 2004, and Foreign Member of the Chinese Academy of Sciences in 2009. Professor Tsui obtained a bachelor's degree and master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a doctorate degree in biological sciences from the University of Pittsburgh in 1979. Professor Tsui is an Independent Non-Executive Director of China NT Pharma Group Company Limited.



Mr Martin Cheung Kong Liao SBS, JP

Independent Non-Executive Director

Aged 57, Mr Liao joined the Board as an Independent Non-Executive Director on November 25, 2014. Mr Liao is elected Deputy (representing Hong Kong Special Administrative Region (“HKSAR”)) to the 12th National People’s Congress of the People’s Republic of China. He serves as a Member of the Legislative Council of the HKSAR, Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a Council member and Court member of The University of Hong Kong and Chairman of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Review Tribunal. Mr Liao graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr Liao was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. He is also an advocate and solicitor admitted in Singapore since 1992. Mr Liao was awarded the Silver Bauhinia Star in 2014, and appointed Justice of the Peace in 2004.



Professor Pak Wai Liu SBS, JP

Independent Non-Executive Director

Aged 67, Professor Liu joined the Board as an Independent Non-Executive Director on March 11, 2015. He has been an Independent Non-Executive Director of Hang Lung Properties Limited, listed subsidiary of the Company, since 1998. He is Research Professor and was formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong. Professor Liu holds a number of positions related to his field of study, including Director of the Economic Research Centre of the Hong Kong Institute of Asia-Pacific Studies and Vice-President of The East Asian Economic Association. He was formerly Director of the Institute of Global Economics and Finance and was appointed Distinguished Fulbright Scholar in 2000-01. Professor Liu serves on many government advisory bodies. He is a member of the Advisory Committee on Post-Office Employment for Former Chief Executives and Politically Appointed Officials. Professor Liu was a past member of the Working Group on Long-Term Fiscal Planning of the HKSAR, the Commission on Strategic Development, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, the Provisional Minimum Wage Commission, the Independent Commission on Remuneration for the Members of the District Councils of the HKSAR and the Aviation Development Advisory Committee. He is also a Director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority, and was a Non-Executive Director of the Securities and Futures Commission and Chairman of its Remuneration Committee. Professor Liu received his AB degree from Princeton University and Ph.D degree from Stanford University in the US. He is also an Independent Non-Executive Director of Transport International Holdings Limited. Professor Liu was awarded the Silver Bauhinia Star (SBS) in 1999, and appointed Justice of Peace (JP) in 2006.



Mr Hau Cheong Ho

Executive Director

Aged 55, Mr Ho joined the Group in 2008 and was appointed to the Board of the Company and of its publicly listed subsidiary, Hang Lung Properties Limited, in September 2010. He is the Chief Financial Officer of the Company and Hang Lung Properties Limited. Mr Ho possesses more than 30 years of management experience covering a wide range of industries in England, Australia, Mainland China and Hong Kong. He qualified as a chartered accountant in England and Wales and Australia and holds an MBA from the University of Melbourne, Australia and a Bachelor of Commerce Degree in Accounting from the University of Birmingham, UK.

Profile of Key Executives

Ms Bella Peck Lim Chhoa

Company Secretary, General Counsel and Assistant Director – Corporate Affairs

Aged 44, Ms Chhoa joined the Group as Company Secretary, General Counsel and Assistant Director – Corporate Affairs in 2011. She is responsible for overseeing the company secretarial, legal and human resources and training functions of the Group. Prior to joining the Group, she was head of the legal department and company secretary of two other companies listed on The Stock Exchange of Hong Kong Limited for a number of years. Ms Chhoa is a solicitor qualified to practice in Hong Kong. She holds a Master of Business Administration degree from The Chinese University of Hong Kong and a Bachelor degree in Law from The University of Hong Kong.

Report of the Directors

The directors have pleasure in submitting their report together with the audited Financial Statements for the year ended December 31, 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, and through its subsidiaries, property development for sales and leasing, property investment for rental income, and other investments. The Company and its subsidiaries (collectively referred to as the “Group”) also operate in car park management and property management, and through its joint ventures, are involved in the operation of dry-cleaning.

An analysis of the turnover and trading results of the Group by operating segments during the financial year is set out in Note 3 on the Financial Statements.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

A list of principal subsidiaries and joint ventures, together with their places of operations and incorporation and particulars of their issued share capital/registered capital is set out in Notes 34 and 35 on the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended December 31, 2014, and the state of affairs of the Company and of the Group at that date are set out in the Financial Statements on pages 131 to 193.

TEN-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 194.

DIVIDENDS

The directors now recommend a final dividend of HK62 cents per share which, together with the interim dividend of HK19 cents per share paid on September 30, 2014, makes a total of HK81 cents per share in respect of the year ended December 31, 2014. The proposed final dividend, if approved by the shareholders at the annual general meeting on April 29, 2015, will be paid on May 19, 2015 to shareholders whose names appear on the register of members on May 6, 2015.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of turnover or sales attributable to the Group's five largest customers combined were less than 30% of the total purchases and turnover or sales of the Group respectively.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 23 on the Financial Statements.

DONATIONS

Donations made by the Group during the year amounted to HK\$22 million (2013: HK\$16 million).

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 12 on the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2014 are set out in Note 19 on the Financial Statements.

BORROWING COSTS CAPITALIZATION

Borrowing costs capitalized by the Group during the year amounted to HK\$766 million (2013: HK\$716 million).

MAJOR GROUP PROPERTIES

Details of major properties of the Group as at December 31, 2014 are set out on pages 66 to 69.

SHARE CAPITAL

During the year, as a result of the exercise of share options under the Company's share option scheme, 5,090,000 shares (2013: 235,000 shares), fully paid, were issued for total consideration of HK\$48,100,500 (2013: HK\$2,220,750).

Details of movements in share capital of the Company during the year are set out in Note 22 on the Financial Statements.

SHARE CAPITAL OF THE COMPANY'S LISTED SUBSIDIARY

During the year, the Company's listed subsidiary, Hang Lung Properties Limited ("HLPL") issued 6,414,000 shares (2013: 2,329,625 shares), fully paid, for total consideration of HK\$71,136,520 (2013: HK\$45,155,020) as a result of the exercise of share options under HLPL's share option schemes.

DIRECTORS

The directors of the Company who served during the year and up to the date of this report are Mr Ronnie C. Chan, Mr S.S. Yin, Mr Philip N.L. Chen, Mr Gerald L. Chan, Dr H.K. Cheng, Ms Laura L.Y. Chen, Mr Simon S.O. Ip, Professor L.C. Tsui (from November 10, 2014), Mr Martin C.K. Liao (from November 25, 2014) and Mr H.C. Ho. Their brief biographical details are set out on pages 113 to 119 and details of their remuneration are set out in Note 7 on the Financial Statements.

Professor L.C. Tsui and Mr Martin C.K. Liao, being independent non-executive directors of the Company newly appointed on November 10 and November 25, 2014 respectively, will retire from the board at the forthcoming annual general meeting in accordance with article 94 of the Company's articles of association and, being eligible, will offer themselves for re-election.

In accordance with articles 103 and 104 of the Company's articles of association, Mr S.S. Yin, Dr H.K. Cheng and Mr Philip N.L. Chen will retire from the board by rotation at the forthcoming annual general meeting. Mr Philip N.L. Chen, being eligible, will offer himself for re-election. Mr S.S. Yin and Dr H.K. Cheng will not offer themselves for re-election and will retire from the board with effect from the conclusion of the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a director of the Company was materially interested, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2014, the interests or short positions of each of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

Name of Directors	Capacity	The Company (Long Position)			Hang Lung Properties Limited (Long Position)		
		Number of Shares	% of Number of Issued Shares	Number of Shares under Option (Note 1)	Number of Shares	% of Number of Issued Shares	Number of Shares under Option (Note 2)
Ronnie C. Chan	Personal	5,090,000	0.38	6,700,000	5,090,000	0.11	38,730,000
S.S. Yin	–	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	–	–	–	21,500,000
Gerald L. Chan	–	–	–	–	–	–	–
H.K. Cheng	–	–	–	–	–	–	–
Laura L.Y. Chen	–	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–	–
L.C. Tsui	–	–	–	–	–	–	–
Martin C.K. Liao	–	–	–	–	–	–	–
H.C. Ho	Personal	–	–	–	–	–	10,450,000

Notes

1. Movement of Options under the Share Option Scheme of the Company

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2014	Exercised during the Year	As at Dec 31, 2014			
05/20/2004	Ronnie C. Chan	5,090,000	5,090,000	–	\$9.45	05/20/2005 : 25% 05/20/2006 : 25% 05/20/2007 : 25% 05/20/2008 : 25%	05/19/2014
11/20/2006	Ronnie C. Chan	6,700,000	–	6,700,000	\$20.52	11/20/2007 : 10% 11/20/2008 : 20% 11/20/2009 : 30% 11/20/2010 : 40%	11/19/2016

2. Movements of Options under the Share Option Schemes of Hang Lung Properties Limited

(i) Share Option Scheme adopted on November 22, 2002

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2014	Exercised during the Year	As at Dec 31, 2014			
05/20/2004	Ronnie C. Chan	5,090,000	5,090,000	–	\$9.20	05/20/2005 : 25% 05/20/2006 : 25% 05/20/2007 : 25% 05/20/2008 : 25%	05/19/2014
11/20/2006	Ronnie C. Chan	2,000,000	–	2,000,000	\$17.14	11/20/2007 : 10% 11/20/2008 : 20% 11/20/2009 : 30% 11/20/2010 : 40%	11/19/2016
08/21/2007	Ronnie C. Chan	3,640,000	–	3,640,000	\$25.00	08/21/2008 : 10% 08/21/2009 : 20% 08/21/2010 : 30% 08/21/2011 : 40%	08/20/2017
08/21/2007	Ronnie C. Chan	5,600,000	–	5,600,000	\$25.00	08/21/2009 : 10% 08/21/2010 : 20% 08/21/2011 : 30% 08/21/2012 : 40%	08/20/2017
09/01/2008	H.C. Ho	300,000	–	300,000	\$24.20	09/01/2010 : 10% 09/01/2011 : 20% 09/01/2012 : 30% 09/01/2013 : 40%	08/31/2018
12/31/2008	Ronnie C. Chan H.C. Ho	9,240,000 300,000	– –	9,240,000 300,000	\$17.36	12/31/2010 : 10% 12/31/2011 : 20% 12/31/2012 : 30% 12/31/2013 : 40%	12/30/2018
02/08/2010	Ronnie C. Chan	6,500,000	–	6,500,000	\$26.46	02/08/2012 : 10% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
07/29/2010	Philip N.L. Chen	10,000,000	–	10,000,000	\$33.05	07/29/2012 : 10% 07/29/2013 : 20% 07/29/2014 : 30% 07/29/2015 : 40%	07/28/2020
09/29/2010	H.C. Ho	2,000,000	–	2,000,000	\$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
06/13/2011	Ronnie C. Chan Philip N.L. Chen H.C. Ho	4,500,000 4,500,000 3,000,000	– – –	4,500,000 4,500,000 3,000,000	\$30.79	06/13/2013 : 10% 06/13/2014 : 20% 06/13/2015 : 30% 06/13/2016 : 40%	06/12/2021

2. Movements of Options under the Share Option Schemes of Hang Lung Properties Limited (continued)

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2014	Granted during the Year	As at Dec 31, 2014			
#06/04/2013	Ronnie C. Chan	4,500,000	–	4,500,000	\$28.20	06/04/2015 : 10%	06/03/2023
	Philip N.L. Chen	4,500,000	–	4,500,000		06/04/2016 : 20%	
	H.C. Ho	3,000,000	–	3,000,000		06/04/2017 : 30% 06/04/2018 : 40%	
#12/05/2014	Ronnie C. Chan	–	2,750,000	2,750,000	\$22.60	12/05/2016 : 10%	12/04/2024
	Philip N.L. Chen	–	2,500,000	2,500,000		12/05/2017 : 20%	
	H.C. Ho	–	1,850,000	1,850,000		12/05/2018 : 30% 12/05/2019 : 40%	

Mr Adriel Wenbwo Chan (a full time employee of HLPL and an associate of a director of the Company and HLPL) was granted and held share options to subscribe for 200,000 shares and 150,000 shares in HLPL at respective exercise prices per share of HK\$28.20 and HK\$22.60.

Save as disclosed above, none of the directors of the Company or any of their associates had, as at December 31, 2014, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2014, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Note	Number of Shares or Underlying Shares Held		% of Number of Issued Shares	
		(Long Position)	(Short Position)	(Long Position)	(Short Position)
Chan Tan Ching Fen	1	498,428,580	–	36.79	–
Cole Enterprises Holdings Limited	1	498,428,580	–	36.79	–
Merssion Limited	1	498,428,580	–	36.79	–
Kingswick Investment Limited	2	97,965,000	–	7.23	–
Aberdeen Asset Management Plc and its associates	3	271,783,756	–	20.06	–
Dodge & Cox	3	95,290,500	–	7.03	–

Notes

- These shares were the same parcel of shares held by a trust of which Ms Chan Tan Ching Fen was the founder. Cole Enterprises Holdings Limited was the trustee of the trust.
Merssion Limited held 498,428,580 shares, of which 97,965,000 shares were held by its subsidiary, Kingswick Investment Limited.
- The 97,965,000 shares held by Kingswick Investment Limited were included in the above-mentioned number of 498,428,580 shares held by Ms Chan Tan Ching Fen/Cole Enterprises Holdings Limited/Merssion Limited.
- These shares were held in the capacity of investment managers.

Save as disclosed above, as at December 31, 2014, no other interest required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

RELATED PARTY TRANSACTIONS

On November 25, 2014, Ms Chan Tan Ching Fen and Mr Nelson W.L. Yuen acquired by way of public tender several units and car parking spaces of The HarbourSide at consideration of HK\$99,406,126 and HK\$140,120,000 respectively. Ms Chan Tan Ching Fen is the mother of Mr Ronnie C. Chan (the chairman of both the Company and its listed subsidiary, HLPL) and Mr Gerald L. Chan (non-executive director of the Company), and aunt of Ms Laura L.Y. Chen (independent non-executive director of the Company and HLPL). Mr Nelson W.L. Yuen is an independent non-executive director of HLPL. Details of the above connected transactions are set out in the joint announcement of the Company and HLPL dated November 25, 2014.

Details of the significant related party transactions undertaken in the usual course of business are set out in Note 29 on the Financial Statements. Save as disclosed above, none of these related party transactions constitutes a discloseable connected transaction as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 91 to 112.

AUDITOR

A resolution for the re-appointment of KPMG as auditor of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Bella Peck Lim Chhoa

Company Secretary

Hong Kong, January 26, 2015

Independent Auditor's Report



Independent auditor's report to the shareholders of Hang Lung Group Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hang Lung Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 131 to 193, which comprise the consolidated and company statements of financial position as at December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 of the new Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

January 26, 2015

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Consolidated Income Statement

For the year ended December 31, 2014

in HK\$ Million	Note	2014	2013
Turnover	3(a)	17,606	9,734
Direct costs and operating expenses		(4,200)	(2,482)
Gross profit		13,406	7,252
Other net income	4	73	63
Administrative expenses		(705)	(698)
Operating profit before change in fair value of investment properties		12,774	6,617
Increase in fair value of investment properties	12	1,712	2,651
Operating profit after change in fair value of investment properties		14,486	9,268
Interest income		1,090	978
Finance costs		(827)	(549)
Net interest income	5	263	429
Share of profits of joint ventures	14	355	431
Profit before taxation	3(a) & 6	15,104	10,128
Taxation	8(a)	(2,368)	(1,567)
Profit for the year		12,736	8,561
Attributable to:			
Shareholders	23	6,825	4,557
Non-controlling interests	24	5,911	4,004
		12,736	8,561
Earnings per share	11(a)		
Basic		\$5.04	\$3.38
Diluted		\$5.03	\$3.36

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 10.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

in HK\$ Million	Note	2014	2013
Profit for the year		12,736	8,561
Other comprehensive income	8(d)		
Items that may be reclassified subsequently to profit or loss:			
Net movement in investment revaluation reserve		16	13
Exchange difference arising from translation of overseas subsidiaries		(1,021)	2,989
		(1,005)	3,002
Total comprehensive income for the year		11,731	11,563
Total comprehensive income attributable to:			
Shareholders		6,262	6,289
Non-controlling interests		5,469	5,274
		11,731	11,563

The accompanying notes form part of these financial statements.

Statements of Financial Position

At December 31, 2014

in HK\$ Million	Note	Group		Company	
		2014	2013	2014	2013
Non-current assets					
Fixed assets					
Investment properties		128,357	115,818	–	–
Investment properties under development		25,611	30,478	–	–
Other fixed assets		306	295	–	–
	12	154,274	146,591	–	–
Interest in subsidiaries	13	–	–	15,905	15,550
Interest in joint ventures	14	3,300	2,991	–	–
Other assets	15	1,438	1,282	–	–
Deferred tax assets	21(b)	23	19	–	–
		159,035	150,883	15,905	15,550
Current assets					
Cash and deposits with banks	16	40,323	39,704	–	2
Trade and other receivables	17	1,947	2,661	–	–
Properties for sale	18	4,068	5,717	–	–
		46,338	48,082	–	2
Current liabilities					
Bank loans and other borrowings	19	7,937	1,657	–	–
Trade and other payables	20	8,249	6,250	11	11
Taxation payable	21(a)	1,606	646	–	–
		17,792	8,553	11	11
Net current assets/(liabilities)		28,546	39,529	(11)	(9)
Total assets less current liabilities		187,581	190,412	15,894	15,541
Non-current liabilities					
Bank loans and other borrowings	19	32,158	43,367	–	–
Amounts due to subsidiaries	13(b)	–	–	352	471
Deferred tax liabilities	21(b)	10,727	10,637	–	–
		42,885	54,004	352	471
NET ASSETS		144,696	136,408	15,542	15,070
Capital and reserves					
Share capital	22	3,893	1,350	3,893	1,350
Share premium and capital redemption reserve	23	–	2,483	–	2,483
Reserves	23	72,133	66,739	11,649	11,237
Shareholders' equity		76,026	70,572	15,542	15,070
Non-controlling interests	24	68,670	65,836	–	–
TOTAL EQUITY		144,696	136,408	15,542	15,070

Philip N.L. Chen
Managing Director

H.C. Ho
Executive Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

in HK\$ Million	Shareholders' equity				Non-controlling interests (Note 24)	Total equity
	Share capital (Note 22)	Other reserves (Note 23)	Retained profits (Note 23)	Total		
At January 1, 2013	1,350	8,286	55,588	65,224	64,391	129,615
Profit for the year	–	–	4,557	4,557	4,004	8,561
Net movement in investment revaluation reserve	–	13	–	13	–	13
Exchange difference arising from translation of overseas subsidiaries	–	1,719	–	1,719	1,270	2,989
Total comprehensive income for the year	–	1,732	4,557	6,289	5,274	11,563
Final dividends in respect of previous financial year	–	–	(810)	(810)	–	(810)
Interim dividends in respect of current financial year	–	–	(256)	(256)	–	(256)
Issue of shares	–	2	–	2	–	2
Employee share-based payments	–	67	22	89	75	164
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	34	–	34	(2,184)	(2,150)
Dividends paid to non-controlling interests	–	–	–	–	(1,704)	(1,704)
Repayment to non-controlling interests	–	–	–	–	(16)	(16)
At December 31, 2013 and January 1, 2014	1,350	10,121	59,101	70,572	65,836	136,408
Transition to no-par value regime on March 3, 2014	2,483	(2,483)	–	–	–	–
Profit for the year	–	–	6,825	6,825	5,911	12,736
Net movement in investment revaluation reserve	–	16	–	16	–	16
Exchange difference arising from translation of overseas subsidiaries	–	(579)	–	(579)	(442)	(1,021)
Total comprehensive income for the year	–	(563)	6,825	6,262	5,469	11,731
Final dividends in respect of previous financial year	–	–	(827)	(827)	–	(827)
Interim dividends in respect of current financial year	–	–	(257)	(257)	–	(257)
Issue of shares	60	(12)	–	48	–	48
Employee share-based payments	–	47	33	80	77	157
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	148	–	148	(825)	(677)
Dividends paid to non-controlling interests	–	–	–	–	(1,887)	(1,887)
At December 31, 2014	3,893	7,258	64,875	76,026	68,670	144,696

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2014

in HK\$ Million	Note	2014	2013
Operating activities			
Cash generated from operations	25	16,740	6,147
Tax paid			
Hong Kong Profits Tax paid		(685)	(386)
China Income Tax paid		(601)	(589)
Net cash generated from operating activities		15,454	5,172
Investing activities			
Payment for fixed assets		(5,305)	(9,896)
Net sale proceeds from disposal of fixed assets		5	40
Net sale proceeds from disposal of subsidiaries		–	802
Receipt of matured held-to-maturity investments		–	452
Interest received		1,081	984
Dividends received from joint ventures		30	19
Advance to joint ventures		(14)	(332)
Dividends received from listed investments		4	–
Decrease in bank deposits with maturity greater than three months		487	7,635
Net cash used in investing activities		(3,712)	(296)
Financing activities			
Proceeds from new bank loans and other borrowings		10,588	7,655
Repayment of bank loans		(15,521)	(475)
Proceeds from exercise of share options		48	2
Interest and other borrowing costs paid		(1,302)	(1,221)
Dividends paid		(1,084)	(1,066)
Dividends paid to non-controlling interests		(1,887)	(1,704)
Decrease in non-controlling interests in subsidiaries		(677)	(2,129)
Repayment to non-controlling interests		–	(16)
Net cash (used in)/generated from financing activities		(9,835)	1,046
Increase in cash and cash equivalents		1,907	5,922
Effect of foreign exchange rate changes		(797)	1,115
Cash and cash equivalents at January 1		39,109	32,072
Cash and cash equivalents at December 31	16	40,219	39,109

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These 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 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. These 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. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial adoption of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (note 32).

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (note 1(j)).

(d) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Joint ventures (Continued)

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In the Company's statement of financial position, investments in joint ventures are stated at cost less impairment losses (note 1(j)).

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (note 1(j)).

Any excess of the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Properties

1. *Investment properties and investment properties under development*

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(q).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(g).

2. *Properties under development for sale*

Properties under development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (note 1(o)) and other direct expenses. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

3. *Completed properties for sale*

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (note 1(o)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Other fixed assets

1. Other fixed assets are stated at cost less accumulated depreciation and any impairment losses (note 1(j)). Gains or losses arising from the retirement or disposal of an item of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

2. *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

The classification is determined based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease. Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Other fixed assets (Continued)

2. Leased assets (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for as described in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(iii) Operating leases charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Depreciation

1. Investment properties

No depreciation is provided for investment properties and investment properties under development.

2. Other fixed assets

Depreciation on other fixed assets is calculated to write off the cost, less their estimated residual value, if any, on a straight line basis over their estimated useful lives as follows:

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4–20 years
Motor vehicles	5 years

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial assets

1. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized in the statement of financial position at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any identified impairment loss. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired (note 1(j)).

2. *Other investments in equity securities*

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the statement of financial position at cost less impairment losses (note 1(j)). Other investments in equity securities are classified as available-for-sale equity securities and are initially recognized at fair value plus transaction costs. At the end of the reporting period, the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity. Dividend income from these investments is recognized directly in profit or loss in accordance with the policy set out in note 1(q). When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is reclassified to profit or loss.

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(j) Impairment of assets

An assessment is carried out at the end of each reporting period to determine whether there is objective evidence that a current or non-current asset, other than properties carried at revalued amounts, is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired.

If any such indication exists, any impairment loss is determined and recognized as follows:

- For current receivables carried at amortized cost, the impairment loss is recognized when there is objective evidence of impairment and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor. If in a subsequent period the amount of impairment loss decreases, the impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

Impairment losses for receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

- For available-for-sale equity securities, the cumulative loss that has been recognized in investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss. Impairment loss recognized in profit or loss in respect of available-for-sale equity securities is not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.
- For other non-current assets, the recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized as an expense in profit or loss whenever the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.

(k) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less impairment losses for bad and doubtful debts (note 1(j)), except where the receivables are interest-free loans or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (note 1(j)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Trade and other payables

Trade and other payables are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between costs and redemption value being recognized in profit or loss over the period of the borrowings using the effective interest method.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(p) Financial guarantees issued, provisions and contingent liabilities

1. *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Company’s policies applicable to that category of asset. When no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities (Continued)

1. *Financial guarantees issued (Continued)*

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(p)(2) if and when (i) it becomes probable that the holder of guarantee will call upon the Company under the guarantee, and (ii) the amount of that claim on the Company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

2. *Other provisions and contingent liabilities*

Provisions are recognized for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

1. *Sale of properties*

Revenue from sale of completed properties is recognized upon the later of the signing of sale and purchase agreements or the issue of occupation permit by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

2. *Rental income*

Rental income under operating leases is recognized on a straight line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition (Continued)

3. Interest income

Interest income is recognized as it accrues using the effective interest method.

4. Dividends

Dividends are recognized when the right to receive payment is established.

(r) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

When investment properties and investment properties under development are carried at their fair value in accordance with the accounting policy set out in note 1(f)(1), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Taxation (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(s) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (“functional currency”). The financial statements of the Group are presented in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated in Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
2. An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in note 1(t)(1).
 - (vii) A person identified in note 1(t)(1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Employee benefits

1. *Short term employee benefits and contributions to defined contribution retirement schemes*

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

2. *Share-based payments*

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital, together with the exercise price. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

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. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amounts disclosure for non-financial assets

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have a significant impact on the Group's financial statements.

(b) Amendments to HKAS 36, Recoverable amounts disclosure 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 units whose recoverable amount is based on fair value less costs of disposal. The amendments do not have a significant impact on the Group's financial statements.

3 TURNOVER AND SEGMENT INFORMATION

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in Hong Kong and mainland China and property sales in Hong Kong.

Property leasing segment includes property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and carparks are primarily located in Hong Kong and mainland China. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks. The investment properties of the Group are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profits.

3 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Turnover and results by segments

in HK\$ Million	Turnover		Profit before taxation	
	2014	2013	2014	2013
Segment				
Property leasing				
– Mainland China	4,354	3,984	3,090	2,995
– Hong Kong	3,438	3,232	2,897	2,736
	7,792	7,216	5,987	5,731
Property sales				
– Hong Kong	9,814	2,518	7,419	1,521
Segment total	17,606	9,734	13,406	7,252
Other net income			73	63
Administrative expenses (Note)			(705)	(698)
Operating profit before change in fair value of investment properties			12,774	6,617
Increase in fair value of investment properties			1,712	2,651
– property leasing in Hong Kong			1,623	1,660
– property leasing in mainland China			89	991
Interest income			1,090	978
Finance costs			(827)	(549)
Net interest income			263	429
Share of profits of joint ventures			355	431
Profit before taxation			15,104	10,128

Note:

Administrative expenses included share-based payments of \$157 million (2013: \$164 million) representing the amortization of the fair value of options granted to employees over the vesting period and do not involve any cash outflow for the Group.

3 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Total assets by segments

in HK\$ Million	Total assets	
	2014	2013
Segment		
Property leasing		
– Mainland China	96,318	90,417
– Hong Kong	58,917	57,042
	155,235	147,459
Property sales		
– Hong Kong	5,054	7,510
Segment total	160,289	154,969
Interest in joint ventures	3,300	2,991
Other assets	1,438	1,282
Deferred tax assets	23	19
Cash and deposits with banks	40,323	39,704
Total assets	205,373	198,965

4 OTHER NET INCOME

in HK\$ Million	2014	2013
Gain on disposal of investment properties	3	9
Dividend income from listed investments	4	4
Dividend income from unlisted investments	–	11
Net exchange gain	64	38
Others	2	1
	73	63

5 NET INTEREST INCOME

in HK\$ Million	2014	2013
Interest income on		
Bank deposits	1,090	967
Unlisted held-to-maturity investments	–	11
	1,090	978
Interest expenses on		
Bank loans and other borrowings repayable within 5 years	812	750
Bank loans and other borrowings repayable over 5 years	652	430
	1,464	1,180
Other borrowing costs	129	85
Total borrowing costs	1,593	1,265
Less: Borrowing costs capitalized (Note)	(766)	(716)
Finance costs	827	549
Net interest income	263	429

Note:

The borrowing costs have been capitalized at an average rate of 3.4% (2013: 3.0%) per annum for properties under development.

6 PROFIT BEFORE TAXATION

in HK\$ Million	2014	2013
Profit before taxation is arrived at after charging:		
Cost of properties sold	1,802	794
Staff costs, including employee share-based payments of \$157 million (2013: \$164 million)	1,211	1,002
Depreciation	52	40
Auditors' remuneration		
– audit services	11	11
– tax and other services	6	5
and after crediting:		
Gross rental income from investment properties less direct outgoings of \$1,805 million (2013: \$1,485 million), including contingent rentals of \$291 million (2013: \$301 million)	5,987	5,731

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Director's and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of directors are determined by the scope of responsibility and accountability, and performance of individual Executive Directors, taking into consideration of the Company's performance and profitability, market practice and prevailing business conditions, etc.

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

in HK\$ Million						
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Group's contributions to retirement scheme	2014	2013
Executive Directors						
Ronnie C. Chan	1.8	24.2	10.0	2.4	38.4	35.7
Philip N.L. Chen	1.3	22.7	10.0	1.1	35.1	32.5
H.C. Ho	1.3	4.6	4.5	0.3	10.7	9.8
Non-Executive Director						
Gerald L. Chan	0.7	–	–	–	0.7	0.7
Independent Non-Executive Directors						
S.S. Yin	1.3	–	–	–	1.3	1.3
Laura L.Y. Chen	1.8	–	–	–	1.8	1.8
H.K. Cheng	1.9	–	–	–	1.9	1.9
Simon S.O. Ip	0.9	–	–	–	0.9	0.9
L.C. Tsui (Appointed on November 10, 2014)	0.1	–	–	–	0.1	–
Martin C.K. Liao (Appointed on November 25, 2014)	0.1	–	–	–	0.1	–
2014	11.2	51.5	24.5	3.8	91.0	84.6
2013	11.0	50.1	19.7	3.8	84.6	

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2013: three) are existing directors of the Company and the emoluments in respect of the remaining two (2013: two) individuals are as follows:

in HK\$ Million	2014	2013
Salaries, allowances and benefits in kind	8.0	9.1
Discretionary bonuses	2.7	2.0
Group's contributions to retirement scheme	0.3	0.8
	11.0	11.9

The emoluments of the above two (2013: two) individuals are within the following bands:

	Number of individuals	
	2014	2013
\$4,000,001 – \$4,500,000	1	1
\$6,500,001 – \$7,000,000	1	–
\$7,500,001 – \$8,000,000	–	1
	2	2

- (c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company and of Hang Lung Properties Limited (“HLP”). Details of which are disclosed in note 28(b).
- (d) During the years ended December 31, 2014 and 2013, there were no amounts paid to directors and senior executives above for compensation of loss of office and inducement for joining the Group.

8 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

in HK\$ Million	2014	2013
Current tax		
Hong Kong Profits Tax	1,517	582
Over-provision in prior years	(33)	(13)
	1,484	569
China Income Tax	762	601
	2,246	1,170
Deferred tax		
Change in fair value of investment properties	23	248
Other origination and reversal of temporary differences	99	149
Total (Note 21(b))	122	397
Total income tax expense	2,368	1,567

Provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. China Income Tax mainly represents China Corporate Income Tax calculated at 25% (2013: 25%) and China withholding income tax at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

(b) Share of joint ventures' taxation for the year ended December 31, 2014 of \$32 million (2013: credit of \$17 million) is included in the share of profits of joint ventures.

(c) Reconciliation between actual tax expense and profit before taxation at applicable tax rates:

in HK\$ Million	2014	2013
Profit before taxation	15,104	10,128
Tax on profit before taxation at applicable rates	2,769	1,994
Tax effect of non-taxable income	(464)	(490)
Tax effect of non-deductible expenses	133	114
Tax effect of tax losses utilized and other deductible temporary differences	(189)	(127)
Tax effect of unrecognized tax losses	119	74
Others	33	15
Over-provision in prior years	(33)	(13)
Actual tax expense	2,368	1,567

(d) There is no tax effect relating to the components of the other comprehensive income for the year.

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net profit attributable to shareholders includes a profit of \$1,508 million (2013: \$1,513 million) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

(a) Dividends attributable to the year

in HK\$ Million	2014	2013
Interim dividend declared and paid of 19 cents (2013: 19 cents) per share	257	256
Final dividend of 62 cents (2013: 61 cents) per share proposed after the end of the reporting period	840	823
	1,097	1,079

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

- (b) The final dividend of \$827 million (calculated based on 61 cents per share and the total number of issued shares as at dividend pay-out date) for the year ended December 31, 2013 was approved and paid in the year ended December 31, 2014 (2013: \$810 million).

11 EARNINGS PER SHARE

(a) The calculation of basic and diluted earnings per share is based on the following data:

in HK\$ Million	2014	2013
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	6,825	4,557
	Number of shares	
in Million	2014	2013
Weighted average number of shares used in calculating basic earnings per share	1,353	1,350
Effect of dilutive potential shares – share options	5	7
Weighted average number of shares used in calculating diluted earnings per share	1,358	1,357

(b) The underlying net profit attributable to shareholders which excluded changes in fair value of investment properties net of related deferred tax and non-controlling interests, is calculated as follows:

in HK\$ Million	2014	2013
Net profit attributable to shareholders	6,825	4,557
Effect of changes in fair value of investment properties	(1,712)	(2,651)
Effect of corresponding deferred tax	23	248
Effect of change in fair value of investment properties of joint ventures	(205)	(243)
	(1,894)	(2,646)
Non-controlling interests	799	1,160
	(1,095)	(1,486)
Underlying net profit attributable to shareholders	5,730	3,071

The earnings per share based on underlying net profit attributable to shareholders are:

	2014	2013
Basic	\$4.23	\$2.27
Diluted	\$4.22	\$2.26

12 FIXED ASSETS – GROUP

in HK\$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2013	106,102	24,482	565	131,149
Exchange adjustment	1,602	767	6	2,375
Additions	752	9,951	77	10,780
Disposals	(11)	–	(4)	(15)
Increase in fair value	2,651	–	–	2,651
Transfer	4,722	(4,722)	–	–
At December 31, 2013 and January 1, 2014	115,818	30,478	644	146,940
Exchange adjustment	(199)	(102)	–	(301)
Additions	397	5,866	64	6,327
Disposals	(2)	–	(4)	(6)
Increase in fair value	1,712	–	–	1,712
Transfer	10,631	(10,631)	–	–
At December 31, 2014	128,357	25,611	704	154,672
Accumulated depreciation:				
At January 1, 2013	–	–	310	310
Exchange adjustment	–	–	2	2
Charge for the year	–	–	40	40
Written back on disposals	–	–	(3)	(3)
At December 31, 2013 and January 1, 2014	–	–	349	349
Charge for the year	–	–	52	52
Written back on disposals	–	–	(3)	(3)
At December 31, 2014	–	–	398	398
Net book value:				
At December 31, 2014	128,357	25,611	306	154,274
At December 31, 2013	115,818	30,478	295	146,591
Cost or valuation of the fixed assets is made up as follows:				
December 31, 2014				
Valuation	128,357	25,611	–	153,968
Cost	–	–	704	704
	128,357	25,611	704	154,672
December 31, 2013				
Valuation	115,818	30,478	–	146,296
Cost	–	–	644	644
	115,818	30,478	644	146,940

12 FIXED ASSETS – GROUP (Continued)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment properties under development measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

in HK\$ Million	Fair value measurement at December 31, 2014		
	Level 1	Level 2	Level 3
Investment properties	–	128,357	–
Investment properties under development	–	–	25,611

in HK\$ Million	Fair value measurement at December 31, 2013		
	Level 1	Level 2	Level 3
Investment properties	–	115,818	–
Investment properties under development	–	–	30,478

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time in which they occur. During the year, except for the transfer from investment properties under development to investment properties of \$10,631 million upon opening of Tianjin Riverside 66 mall and Wuxi Center 66 office tower in mainland China (2013: transfer from investment properties under development to investment properties of \$4,722 million upon opening of Wuxi Center 66 mall), there were no transfers between levels of fair value hierarchy.

The investment properties and investment properties under development of the Group were revalued as at December 31, 2014 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis. Management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

12 FIXED ASSETS – GROUP (Continued)**(a) Fair value measurement of properties** (Continued)*(ii) Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

(iii) Information about Level 3 fair value measurements

The fair value of investment properties under development in mainland China is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property assuming it was completed and, where appropriate, after deducing the following items:

- Estimated development cost to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development cost or profit margin, the lower the fair value of investment properties under construction.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs of the Group's investment properties under development ranged from \$3.9 billion to \$22.0 billion (2013: \$3.9 billion to \$21.4 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements during the year in the balances of these Level 3 fair value measurements are as follows:

in HK\$ Million	Investment properties under development – Mainland China	
	2014	2013
At January 1	30,478	24,482
Exchange adjustment	(102)	767
Additions	5,866	9,951
Increase in fair value	–	–
Transfer to Level 2	(10,631)	(4,722)
At December 31	25,611	30,478
Total gains for the year included in profit or loss	–	–

Fair value adjustments of investment properties and investment properties under development is recognized in “Increase in fair value of investment properties” in the consolidated income statement.

12 FIXED ASSETS – GROUP (Continued)

(b) An analysis of net book value of properties is as follows:

in HK\$ Million	Investment properties		Investment properties under development	
	2014	2013	2014	2013
Long term leases in Hong Kong	37,033	35,618	–	–
Long term leases outside Hong Kong	1,316	1,330	849	835
Medium term leases in Hong Kong	21,470	21,070	–	–
Medium term leases outside Hong Kong	68,538	57,800	24,762	29,643
	128,357	115,818	25,611	30,478

- (c) The net book value of other fixed assets of the Group included long term leases of \$9 million (2013: \$9 million) in respect of land and building held in Hong Kong, medium term leases of \$7 million (2013: \$8 million) and long term leases of \$46 million (2013: \$48 million) in respect of land and buildings held outside Hong Kong respectively.

Property leasing revenue includes gross rental income from investment properties of \$7,792 million (2013: \$7,216 million).

- (d) The Group leases out its properties under operating leases. Leases typically run for an initial period of two to five years, with some having the option to renew, at which time all terms are renegotiated. Long term leases contain rent review or adjustment clauses and the Group has a regular proportion of its leases up for renewal each year. Certain leases include contingent rentals calculated with reference to the revenue of tenants.

At the end of the reporting period, the Group's total future minimum lease income under non-cancellable operating leases in respect of investment properties were as follows:

in HK\$ Million	2014	2013
Within 1 year	6,506	6,006
After 1 year but within 5 years	9,113	8,174
After 5 years	1,811	1,992
	17,430	16,172

13 INTEREST IN SUBSIDIARIES

in HK\$ Million	Company	
	2014	2013
Unlisted shares, at cost	181	181
Amounts due from subsidiaries	15,724	15,369
	15,905	15,550

Details of principal subsidiaries are set out in note 34.

The following table lists out the information relating to HLP in which the Group has material non-controlling interest (“NCI”). The summarized financial information presented below represents the amounts before any inter-company elimination.

in HK\$ Million	2014	2013
NCI percentage at the end of the reporting period	46.8%	47.5%
Non-current assets	147,271	139,399
Current assets	45,908	42,881
Current liabilities	(15,144)	(8,267)
Non-current liabilities	(39,032)	(42,846)
Net assets	139,003	131,167
Carrying amount of NCI	65,053	62,304
Turnover	17,030	9,138
Profit for the year	12,153	7,757
Total comprehensive income for the year	11,359	10,433
Profit allocated to NCI	5,688	3,685
Dividend paid to NCI	1,578	1,623
Net cash flow:		
generated from operating activities	15,362	5,156
used in investing activities	(3,946)	(896)
(used in)/generated from financing activities	(4,702)	559

- (a) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next twelve months.
- (b) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next twelve months.

14 INTEREST IN JOINT VENTURES

in HK\$ Million	Group		Company	
	2014	2013	2014	2013
Unlisted shares, at cost	–	–	5	5
Share of net assets	2,477	2,152	–	–
	2,477	2,152	5	5
Amounts due from joint ventures	830	846	2	2
Amounts due to joint ventures	(7)	(7)	(7)	(7)
	3,300	2,991	–	–

Amounts due from joint ventures are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as it is not expected to be recoverable within the next twelve months.

Amounts due to joint ventures are unsecured and interest-free with no fixed terms of repayment.

Details of principal joint ventures are set out in note 35. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

in HK\$ Million	2014	2013
Non-current assets	3,284	3,024
Current assets	278	267
Non-current liabilities	(964)	(1,067)
Current liabilities	(121)	(72)
Net assets	2,477	2,152
in HK\$ Million	2014	2013
Turnover	280	275
Profit and total comprehensive income for the year	355	431

15 OTHER ASSETS

in HK\$ Million	Group	
	2014	2013
Listed investments at market value		
– Hong Kong	85	70
– Outside Hong Kong	10	10
	95	80
Advances to unlisted investee companies less provision	161	20
Intangible assets (Note (a))	1,182	1,182
	1,438	1,282

Note:

- (a) Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLP, for transactions before July 1, 2009. At the end of the reporting period, an impairment test was performed by comparing the goodwill with its recoverable amount and no impairment was recorded.

16 CASH AND DEPOSITS WITH BANKS

in HK\$ Million	Group	
	2014	2013
Time deposits	37,705	36,890
Cash at banks	2,618	2,814
Cash and deposits with banks in the consolidated statement of financial position	40,323	39,704
Less: Bank deposits with maturity greater than three months	(104)	(595)
Cash and cash equivalents in the consolidated cash flow statement	40,219	39,109

At the end of the reporting period, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.6% (2013: 2.5%) per annum with currencies denominated in:

in HK\$ Million	Group	
	2014	2013
Hong Kong Dollars equivalent of:		
Renminbi	35,592	37,100
Hong Kong Dollars	4,721	2,287
United States Dollars	10	317
	40,323	39,704

The Group holds Renminbi bank deposits to meet its ongoing payment obligations in relation to its development projects in mainland China.

16 CASH AND DEPOSITS WITH BANKS (Continued)

After deducting bank loans and other borrowings from cash and deposits, the net cash position (2013: net debt position) of the Group at the end of the reporting period was as follows:

in HK\$ Million	Group	
	2014	2013
Cash and deposits	40,323	39,704
Less: Bank loans and other borrowings (Note 19)	(40,095)	(45,024)
Net Cash/(Net Debt)	228	(5,320)

17 TRADE AND OTHER RECEIVABLES

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following terms:

in HK\$ Million	Group	
	2014	2013
Current and within 1 month	1,008	1,834
1 – 3 months	8	14
Over 3 months	8	9
	1,024	1,857

The balance of bad and doubtful debts is insignificant. The details on the Group's credit policy are set out in note 30(c).

(b) Included in other receivables of the Group is deposit of land acquisition in mainland China of \$317 million (2013: \$318 million).

18 PROPERTIES FOR SALE

in HK\$ Million	Group	
	2014	2013
Properties under development for sale located in Hong Kong – long term leases	–	1,662
Completed properties for sale located in Hong Kong – long term leases	1,810	–
	1,810	1,662
Completed properties for sale – medium term leases		
– Hong Kong	2,254	4,051
– Outside Hong Kong	4	4
	2,258	4,055
	4,068	5,717

19 BANK LOANS AND OTHER BORROWINGS

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

in HK\$ Million	Group	
	2014	2013
Bank loans (Note (a))		
Within 1 year or on demand	7,937	1,657
After 1 year but within 2 years	6,199	16,663
After 2 years but within 5 years	9,249	15,186
Over 5 years	4,296	4,519
	27,681	38,025
Other borrowings (Note (b))		
After 2 years but within 5 years	375	375
Over 5 years	12,368	6,915
	12,743	7,290
	40,424	45,315
Less: unamortized front end fees	(329)	(291)
Total bank loans and other borrowings	40,095	45,024
Amount due within 1 year included under current liabilities	(7,937)	(1,657)
	32,158	43,367

Notes:

(a) All bank loans are interest-bearing at rates ranging from 0.8% to 7.1% (2013: 0.8% to 7.9%) per annum during the year.

Certain of the Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year, all these covenants have been complied with by the Group.

At December 31, 2014, the Group had \$25,389 million (2013: \$8,781 million) committed undrawn banking facilities.

(b) A wholly-owned subsidiary of HLP has a US\$3 billion (2013: US\$3 billion) Medium Term Note Program (the "Program"). At the end of the reporting period, the bonds have been issued with coupon rates ranged from 2.95% to 4.75% (2013: 2.95% to 4.75%) per annum under the Program.

20 TRADE AND OTHER PAYABLES

in HK\$ Million	Group	
	2014	2013
Creditors and accrued expenses (Note (a))	6,196	4,347
Deposits received (Note (b))	2,053	1,903
	8,249	6,250

Notes:

- (a) Creditors and accrued expenses include retention money payable of \$565 million (2013: \$508 million) which is not expected to be settled within one year.
- (b) Deposits received of \$1,180 million (2013: \$1,155 million) are not expected to be settled within one year.

Included in trade and other payables are trade creditors with the following aging analysis:

in HK\$ Million	Group	
	2014	2013
Due within 1 month	4,350	2,693
Due after 3 months	565	548
	4,915	3,241

21 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation

in HK\$ Million	Group	
	2014	2013
Provision for Hong Kong Profits Tax	1,161	366
Provision for China Income Tax	412	251
Hong Kong Profits Tax payable relating to prior years	33	29
	1,606	646

(b) Deferred taxation

in HK\$ Million	Group	
	2014	2013
Deferred tax liabilities	10,727	10,637
Deferred tax assets	(23)	(19)
Net deferred tax liabilities	10,704	10,618

21 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**(b) Deferred taxation** (Continued)

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

in HK\$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
Deferred tax arising from:					
At January 1, 2013	1,433	8,407	(9)	94	9,925
Charged/(Credited) to exchange reserve	34	263	–	(1)	296
Charged to profit or loss (Note 8(a))	98	248	6	45	397
At December 31, 2013 and January 1, 2014	1,565	8,918	(3)	138	10,618
(Credited)/Charged to exchange reserve	(8)	(30)	–	2	(36)
Charged to profit or loss (Note 8(a))	115	23	1	(17)	122
At December 31, 2014	1,672	8,911	(2)	123	10,704

Included in “Others” is mainly deferred tax liabilities recognized in respect of undistributed profits of foreign investment enterprises in mainland China.

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of \$4,229 million (2013: \$3,825 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2014. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

22 SHARE CAPITAL

As at December 31, 2013, 2,000 million ordinary shares, with par value of HK\$1 each, were authorized for issue. Under the new Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “New Companies Ordinance”), which commenced operation on March 3, 2014, the concepts of “authorized share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on March 3, 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Companies Ordinance. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the Company’s ordinary shares are set out below:

	2014		2013	
	Number of shares (Million)	Amount of share capital (\$Million)	Number of shares (Million)	Amount of share capital (\$Million)
Ordinary shares, issued and fully paid:				
At January 1	1,350	1,350	1,350	1,350
Shares issued under share option scheme	5	60	–	–
Transition to no-par value regime on March 3, 2014	–	2,483	–	–
At December 31	1,355	3,893	1,350	1,350

23 RESERVES

(a) The Group

in HK\$ Million	Other reserves							Total	Retained profits	Total reserves
	Share premium	Capital redemption reserve	Investment revaluation reserve	Exchange reserve	Employee share-based compensation reserve	General reserve	Other capital reserve			
At January 1, 2013	2,454	26	9	3,601	286	275	1,635	8,286	55,588	63,874
Profit for the year	–	–	–	–	–	–	–	–	4,557	4,557
Increase in fair value of listed investments	–	–	13	–	–	–	–	13	–	13
Exchange difference arising from translation of overseas subsidiaries	–	–	–	1,719	–	–	–	1,719	–	1,719
Total comprehensive income for the year	–	–	13	1,719	–	–	–	1,732	4,557	6,289
Final dividends in respect of previous financial year	–	–	–	–	–	–	–	–	(810)	(810)
Interim dividends in respect of current financial year	–	–	–	–	–	–	–	–	(256)	(256)
Issue of shares	2	–	–	–	–	–	–	2	–	2
Employee share-based payments	1	–	–	–	66	–	–	67	22	89
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	–	34	34	–	34
At December 31, 2013 and January 1, 2014	2,457	26	22	5,320	352	275	1,669	10,121	59,101	69,222
Transition to no-par value regime on March 3, 2014	(2,457)	(26)	–	–	–	–	–	(2,483)	–	(2,483)
Profit for the year	–	–	–	–	–	–	–	–	6,825	6,825
Increase in fair value of listed investments	–	–	16	–	–	–	–	16	–	16
Exchange difference arising from translation of overseas subsidiaries	–	–	–	(579)	–	–	–	(579)	–	(579)
Total comprehensive income for the year	–	–	16	(579)	–	–	–	(563)	6,825	6,262
Final dividends in respect of previous financial year	–	–	–	–	–	–	–	–	(827)	(827)
Interim dividends in respect of current financial year	–	–	–	–	–	–	–	–	(257)	(257)
Issue of shares	–	–	–	–	(12)	–	–	(12)	–	(12)
Employee share-based payments	–	–	–	–	47	–	–	47	33	80
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	–	148	148	–	148
At December 31, 2014	–	–	38	4,741	387	275	1,817	7,258	64,875	72,133

23 RESERVES (Continued)

(b) The Company

in HK\$ Million	Other reserves				Total	Retained profits	Total reserves
	Share premium	Capital redemption reserve	Employee share-based compensation reserve	General reserve			
At January 1, 2013	2,454	26	48	862	3,390	9,881	13,271
Profit and total comprehensive income for the year	–	–	–	–	–	1,513	1,513
Final dividends in respect of previous financial year	–	–	–	–	–	(810)	(810)
Interim dividends in respect of current financial year	–	–	–	–	–	(256)	(256)
Issue of shares	2	–	–	–	2	–	2
Employee share-based payments	1	–	(1)	–	–	–	–
At December 31, 2013 and January 1, 2014	2,457	26	47	862	3,392	10,328	13,720
Transition to no-par value regime on March 3, 2014	(2,457)	(26)	–	–	(2,483)	–	(2,483)
Profit and total comprehensive income for the year	–	–	–	–	–	1,508	1,508
Final dividends in respect of previous financial year	–	–	–	–	–	(827)	(827)
Interim dividends in respect of current financial year	–	–	–	–	–	(257)	(257)
Issue of shares	–	–	(12)	–	(12)	–	(12)
At December 31, 2014	–	–	35	862	897	10,752	11,649

The retained profits for the Group at December 31, 2014 included \$344 million (2013: \$264 million) in respect of statutory reserves of the subsidiaries in mainland China.

23 RESERVES (Continued)

(b) The Company (Continued)

Prior to March 3, 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the New Companies Ordinance, on March 3, 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from March 3, 2014 is governed by the New Companies Ordinance. The exchange reserve comprises the exchange differences arising from the translation of the financial statements of overseas subsidiaries. The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as explained in note 1(v). The general reserve was derived from retained profits and is distributable. The other capital reserve represents any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange when acquiring an additional non-controlling interest in a existing subsidiary.

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2014 was \$11,614 million (2013: \$11,190 million).

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity and debt to equity) and cash flow requirements, taking into account its future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net cash position as at December 31, 2014 (Note 16). Net debt to equity ratio and debt to equity ratio as at December 31, 2014 were 0% (2013: 3.9%) and 27.7% (2013: 33.0%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 NON-CONTROLLING INTERESTS

Non-controlling interests represent the equity interests and the share of profit or loss attributable to other shareholders in respect of the subsidiaries not wholly-owned by the Group as at December 31. Details of movement of non-controlling interests are set out in the consolidated statement of changes in equity.

25 CASH GENERATED FROM OPERATIONS

in HK\$ Million	2014	2013
Profit before taxation	15,104	10,128
Adjustments for:		
Gain on disposal of investment properties	(3)	(9)
Bank interest income	(1,090)	(967)
Interest income from unlisted held-to-maturity investments	–	(11)
Dividend income from listed investments	(4)	–
Dividend income from unlisted investments	–	(11)
Finance costs	827	549
Depreciation	52	40
Loss on disposal of other fixed assets	1	1
Increase in fair value of investment properties	(1,712)	(2,651)
Share of profits of joint ventures	(355)	(431)
Employee share-based payments	157	164
Decrease in properties for sale	1,689	408
Decrease/(Increase) in trade and other receivables	724	(1,801)
Increase in creditors and accrued expenses	1,197	559
Increase in deposits received	153	179
Cash generated from operations	16,740	6,147

26 CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities were as follows:

in HK\$ Million	Company	
	2014	2013
Guarantees given to banks to secure credit facilities drawn by subsidiaries	5,030	10,080

The Company has not recognized any deferred income for the guarantees given in respect of borrowings and other bank facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was \$Nil (2013: \$Nil).

27 COMMITMENTS

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

in HK\$ Million	Group	
	2014	2013
Contracted for	3,448	5,252
Authorized but not contracted for	43,220	44,031
	46,668	49,283

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its investment properties in various cities in mainland China.

28 EMPLOYEE BENEFITS

(a) Retirement benefits

The Group operates a defined contribution provident fund scheme for its employees. The assets of the scheme are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers.

Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are credited to reserves of the fund. Depending on the level of reserves, the Group may direct the trustee to credit dividends to members' accounts out of the reserves of the fund. The Group's contributions may be reduced by the forfeited contributions, but there was no such reduction of the Group's contributions during the year. Total contributions made by the Group for the year amounted to \$23 million (2013: \$21 million) and forfeited sums credited to reserves amounted to \$2 million (2013: \$9 million).

A master trust Mandatory Provident Fund Scheme (the "MPF Scheme") is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of \$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to \$5 million (2013: \$4 million).

28 EMPLOYEE BENEFITS (Continued)

(a) Retirement benefits (Continued)

As the Group's provident fund scheme is an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme"), eligibility for membership of the ORSO and MPF schemes is identical. New employees are offered a one-off option to join either the ORSO or the MPF scheme.

Staff in the Company's subsidiaries operating in mainland China are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to \$44 million (2013: \$35 million).

(b) Equity compensation benefits

The Company

The share option scheme adopted by the Company on November 24, 2000 has expired. No further options shall be offered thereunder, but in all other respects the provisions of the scheme shall remain in full force and effect and all options granted prior to such expiration and not exercised at the expiry date shall remain valid.

Under the scheme, the board of directors (the "Board") of the Company is authorized to grant options to selected participants, including employees and directors of any company in the Group, to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The exercise price of the options is determined by the Board at the time of grant, and shall be the highest of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

Hang Lung Properties Limited

The share option scheme adopted by the Company's subsidiary, HLP, on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme", together with the 2002 Share Option Scheme are referred to as the "Schemes"). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2012 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

28 EMPLOYEE BENEFITS (Continued)**(b) Equity compensation benefits** (Continued)*Hang Lung Properties Limited (Continued)*

The purposes of the Schemes are to enable HLP to grant options to selected participants as incentives or rewards for their contributions to HLP group, to attract skilled and experienced personnel, to incentivize them to remain with HLP group and to motivate them to strive for the future development and expansion of HLP group by providing them with the opportunity to acquire equity interests in HLP.

Under the Schemes, the Board of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the Board of HLP may specify on a case-by-case basis or generally. The exercise price of the options is determined by the Board of HLP at the time of grant, and shall be the highest of the nominal value of HLP shares, the closing price of HLP shares at the date of grant and the average closing price of HLP shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of HLP shares subject to each option are determined by the Board of HLP at the time of grant.

As at the date of this report, the total number of HLP shares available for issue under the 2012 Share Option Scheme is 269,794,253 shares, representing 6.02% of the total number of issued shares of HLP. The total number of HLP shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of HLP shares in issue.

- The movements of share options of the Company during the year are as follows:

Date granted	Number of share options			Outstanding on December 31, 2014	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2014	Exercised	Forfeited/ Lapsed			
May 20, 2004	5,090,000	(5,090,000)	–	–	May 20, 2005 to May 19, 2014	9.45
November 20, 2006	6,700,000	–	–	6,700,000	November 20, 2007 to November 19, 2016	20.52
Total	11,790,000	(5,090,000)	–	6,700,000		

All the above options may vest after one to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the year.

28 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

Hang Lung Properties Limited (Continued)

- (i) Movements in the number of share options of the Company outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	15.74	11,790,000	15.62	12,025,000
Exercised	9.45	(5,090,000)	9.45	(235,000)
Cancelled	–	–	–	–
Outstanding at December 31	20.52	6,700,000	15.74	11,790,000
Exercisable at December 31	20.52	6,700,000	15.74	11,790,000

The closing price of the shares immediately before the date of exercise by the director during the period was \$40.95. No share options were exercised by the employee during the period.

The share price at the date of exercise for share options during the period was \$42.10.

- (ii) The weighted average remaining contractual life of options outstanding at the end of the reporting period was 1.9 years (2013: 1.8 years).

2. The movements of share options of HLP during the year are as follows:

(i) 2002 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2014	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2014	Exercised	Forfeited/ Lapsed			
May 20, 2004	5,290,000	(5,290,000)	–	–	May 20, 2005 to May 19, 2014	9.20
November 14, 2006 to March 19, 2007	4,545,000	(420,000)	–	4,125,000	November 14, 2007 to March 18, 2017	16.75–22.55
August 21, 2007 to December 31, 2008	41,624,000	(704,000)	(652,000)	40,268,000	August 21, 2008 to December 30, 2018	17.36–27.90
February 8, 2010 to June 1, 2010	13,780,000	–	(400,000)	13,380,000	February 8, 2012 to May 31, 2020	26.46–27.27
July 29, 2010 to June 13, 2011	35,852,000	–	(2,012,000)	33,840,000	July 29, 2012 to June 12, 2021	30.79–36.90
Total	101,091,000	(6,414,000)	(3,064,000)	91,613,000		

28 EMPLOYEE BENEFITS (Continued)**(b) Equity compensation benefits** (Continued)*Hang Lung Properties Limited (Continued)**(i) 2002 Share Option Scheme (Continued)*

All the above options may vest after one/two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were granted or cancelled during the year.

Movements in the number of share options of HLP outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	24.91	101,091,000	24.89	108,016,625
Exercised	11.09	(6,414,000)	19.38	(2,329,625)
Cancelled	–	–	–	–
Forfeited/Lapsed	28.27	(3,064,000)	27.20	(4,596,000)
Outstanding at December 31	25.77	91,613,000	24.91	101,091,000
Exercisable at December 31	23.98	66,443,000	21.41	61,758,200

The closing price of the shares of HLP immediately before the date of exercise by the director during the year was \$22.30. The weighted average closing price of the shares of HLP immediately before the dates of exercise by the employees during the year was \$23.29.

The weighted average share price of HLP at the dates of exercise for share options during the year was \$23.33.

The weighted average remaining contractual life of HLP options outstanding at the end of the reporting period was 4.6 years (2013: 5.3 years).

28 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

Hang Lung Properties Limited (Continued)

(ii) 2012 Share Option Scheme

Date granted	Number of share options				Outstanding on December 31, 2014	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2014	Granted	Exercised	Forfeited/ Lapsed			
June 4, 2013	38,620,000	–	–	(5,070,000)	33,550,000	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	–	32,630,000	–	(160,000)	32,470,000	December 5, 2016 to December 4, 2024	22.60
Total	38,620,000	32,630,000	–	(5,230,000)	66,020,000		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options of HLP were cancelled during the year.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	28.20	38,620,000	–	–
Granted	22.60	32,630,000	28.20	40,000,000
Forfeited/Lapsed	28.03	(5,230,000)	28.20	(1,380,000)
Outstanding at December 31	25.45	66,020,000	28.20	38,620,000
Exercisable at December 31	–	–	–	–

The weighted average remaining contractual life of options of HLP outstanding at the end of the reporting period was 9.1 years (2013: 9.4 years).

28 EMPLOYEE BENEFITS (Continued)**(b) Equity compensation benefits** (Continued)*Hang Lung Properties Limited (Continued)**(ii) 2012 Share Option Scheme (Continued)*

The weighted average value per share option of HLP granted during the year estimated at the date of grant using a Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted was \$5.30. The weighted average assumptions used are as follows:

HLP Share price at grant date	\$22.05
Exercise price	\$22.60
Risk-free interest rate	1.24%
Expected life (in years)	6
Volatility	36.40
Expected dividend per share	\$0.75

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the one year immediately preceding the grant date. Expected dividend per share is based on historical dividend. Changes in the input assumptions could materially affect the fair value estimate.

(iii) In respect of share options of the Company and HLP granted to the directors of the Company, who were also directors of HLP, the related charge recognized for the year ended December 31, 2014, estimated in accordance with the Group's accounting policy in note 1(v)(2) was as follows:

- (1) Mr. Ronnie C. Chan, \$21.1 million (2013: \$25.1 million);
- (2) Mr. Philip N.L. Chen, \$28.9 million (2013: \$34.5 million); and
- (3) Mr. H.C. Ho, \$14.3 million (2013: \$15.1 million).

29 RELATED PARTY TRANSACTIONS

Except for the transactions and balances already disclosed elsewhere in the financial statements, the Group entered into the following related party transactions during the year in its ordinary course of business:

- (a) Emoluments to directors and key management has been disclosed in notes 7 and 28(b).
- (b) During the year ended December 31, 2014, a director of HLP and a connected person of the Group entered into the sale and purchase agreements to acquire four residential units and six car parking spaces of the Group's residential development, The HarbourSide, at a total consideration of \$240 million by way of public tender. The balance of the purchase price at December 31, 2014 of \$216 million is due for payment by January 2015.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and borrowings issued at floating rates. Interest rate trend and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise. In addition, the Group established the Medium Term Note Program which facilitates the Group to mitigate future interest rate volatility and re-financing risks.

The interest rates of interest-bearing financial assets and liabilities are disclosed in notes 16 and 19.

Based on the simulations performed at year end in relation to the Group's bank deposits and borrowings, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's profit after taxation and total equity by approximately \$143 million (2013: \$58 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- changes in market interest rates affect the interest income and interest expenses of floating rate financial instruments and bank borrowings; and
- all other financial assets and liabilities are held constant.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(b) Liquidity risk**

The Group manages its surplus cash centrally and the liquidity risk of the Company and its subsidiaries at the corporate level. The objective is to ensure that an adequate amount of cash and committed bank facilities are available to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

Group						
Contractual undiscounted cash flow						
in HK\$ Million	Carrying amount	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans and other borrowings	40,095	47,910	9,288	7,402	12,830	18,390
Trade and other payables	8,249	8,249	6,524	1,013	553	159
At December 31, 2014	48,344	56,159	15,812	8,415	13,383	18,549
Contractual undiscounted cash flow						
in HK\$ Million	Carrying amount	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans and other borrowings	45,024	51,222	2,902	17,696	17,742	12,882
Trade and other payables	6,250	6,250	4,587	1,023	571	69
At December 31, 2013	51,274	57,472	7,489	18,719	18,313	12,951

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

It maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Except for sale of properties developed by the Group, it does not hold any collateral over the receivables. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

Except for the financial guarantees given by the Company as set out in note 26, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(d) Currency risk

Currency risk arises when recognized assets and liabilities are denominated in a currency other than the functional currency of the Group's entities to which they related. The Group maintains certain bank deposits denominated in United States dollars amounting to US\$1 million (2013: US\$41 million) and bonds amounting to US\$1,000 million (2013: US\$500 million). Given that Hong Kong dollar is pegged to United States dollar, the resulting currency risk on such deposits and bonds is considered insignificant.

The Group also engaged in property development and investments in mainland China through its local subsidiaries whose net assets are exposed to currency risk. In addition, the Group holds Renminbi deposits to meet its ongoing payment obligations in relation to its development projects in mainland China which is denominated in Renminbi. Where appropriate, the Group seeks to minimize its exposure to currency risk in mainland China through borrowings denominated in Renminbi.

Management estimated that a 1% appreciation/depreciation of Renminbi against Hong Kong dollar would not have a material effect on the Group's profit after taxation and the Group's equity attributable to shareholders would be increased/decreased by \$515 million (2013: \$511 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value

(i) *Financial assets measured at fair value*

Financial assets under recurring fair value measurement comprise listed investments classified as available-for-sale equity securities, which are measured using quoted prices in an active market for identical assets (level 1). During the year, there were no transfers between levels of fair value hierarchy (2013: Nil).

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

The fair values of unlisted investments, trade and other receivables, trade and other payables, cash and deposits with banks, bank loans and other borrowings are considered approximate to their carrying amounts at the end of the reporting period.

31 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 12(a), 28(b) and 30 contain information about the assumptions and their risk relating to valuation of investment properties and investment properties under development, and fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) *Properties held for sale*

The Group determines the net realizable value of unsold properties based on estimation of future selling price less costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

(b) *Impairment of assets*

The Group tests regularly whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate. These calculations require the use of estimates.

(c) *Income taxes*

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

31 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(d) Recognition of deferred tax assets

The amount of the deferred tax assets included in the consolidated statement of financial position of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgments based on the assessment of future financial performance, the amount of future taxable profits and the timing of when these will be realized.

32 FUTURE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following amendments and new standards which have been issued by the HKICPA but are not yet effective for the year ended December 31, 2014. The adoption of the following amendments or standards will not result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
HKFRS 15	Revenue from contracts with customers	January 1, 2017
HKFRS 9	Financial Instruments	January 1, 2018

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 March 3, 2014 (i.e. the Company's financial year which began on January 1, 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 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.

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on January 26, 2015.

34 PRINCIPAL SUBSIDIARIES

At December 31, 2014

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Akihiro Company Limited	2	100	100	Property development & leasing	Hong Kong
Antonis Limited*	10,000	53.2	–	Property leasing	Hong Kong
AP City Limited	2	53.2	–	Property leasing	Hong Kong
AP Joy Limited	2	53.2	–	Property development & leasing	Hong Kong
AP Properties Limited				Property development & leasing	Hong Kong
'A' shares	34	53.2	–		
'B' shares	6	53.2	–		
AP Star Limited*	2	53.2	–	Investment holding	Hong Kong
AP Success Limited	2	53.2	–	Property leasing	Hong Kong
AP Universal Limited*	2	53.2	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	53.2	–	Property leasing	Hong Kong
AP World Limited	2	53.2	–	Property development	Hong Kong
Bayliner Investment Ltd.*	US\$1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding & securities trading	Hong Kong
Bonna Estates Company Limited	1,000,000	53.2	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	53.2	–	Property leasing	Hong Kong
Cititop Limited	2	53.2	–	Property development & leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	52.6	–		
'B' share	1	53.2	–		
Country First Enterprises Limited	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	56.4	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	53.2	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	100	–		
'B' share	1	53.2	–		
Easegood Enterprises Limited	2	53.2	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited	2	100	100	Investment holding	Hong Kong
Folabs Limited*	2	100	–	Property leasing	Hong Kong
Fu Yik Company Limited*	3	53.2	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	53.2	–	Investment holding	Hong Kong
Glory View Properties Limited*	2	100	100	Property leasing	Hong Kong
Gowily Limited	2	53.2	–	Property leasing	Hong Kong
Grand Centre Limited	4	53.2	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	53.2	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	62,163,123	53.2	–		
'B' shares	6,000,000	53.2	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	53.2	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	53.2	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	53.2	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	53.2	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	53.2	–	Management services	Hong Kong
Hang Lung (China) Limited	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited	1	53.2	–	Investment holding	Hong Kong
Hang Lung Enterprises Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Financial Services Limited	2	100	100	Financial services	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	53.2	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	53.2	–	Investment holding	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Hang Lung (Kunming) Limited	1	53.2	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	53.2	–	Investment holding	Hong Kong
Hang Lung Park-In Limited	2	53.2	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	53.2	–	Project management	Hong Kong
Hang Lung Properties Limited	4,485,309,670	53.2	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	53.2	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	53.2	–	Property agencies	Hong Kong
Hang Lung (Shenyang) Limited	2	53.2	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	53.2	–	Investment holding	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hang Lung (Wuhan) Limited	1	53.2	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	53.2	–	Investment holding	Hong Kong
Hantak Limited	2	100	100	Investment holding	Hong Kong
Hang Wise Company Limited*	200	100	100	Property leasing	Hong Kong
Hebo Limited	2	100	100	Property development	Hong Kong
HL Enterprises Limited*	2	100	100	Investment holding	Hong Kong
HL Mortgage (HTG) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NH) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NP) Limited*	2	100	100	Financial services	Hong Kong
HLP (China) Limited	2	53.2	–	Investment holding	Hong Kong
HLP Finance Limited [#]	US\$1	53.2	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	53.2	–	Financial services	Hong Kong
HLP Fortune Limited	1	53.2	–	Property development	Hong Kong
HLP Treasury Limited	2	53.2	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	53.2	–	Investment holding	Hong Kong
Hoi Sang Limited*	2	53.2	–	Investment holding	Hong Kong
Kindstock Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	53.2	–	Property development	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Luckyson Investments Limited	10,000	100	–	Investment holding	Hong Kong
Lungsun Mortgage (PV) Limited*	20	89.7	–	Financial services	Hong Kong
Magic Modern International Limited*	1	53.2	–	Advertising	Hong Kong
Mansita Limited*	2	53.2	–	Property leasing	Hong Kong
Modalton Limited	2	53.2	–	Property leasing	Hong Kong
Monafat Limited*	2	53.2	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	53.2	–	Property leasing	Hong Kong
Paradot Limited*	2	100	100	Property development	Hong Kong
Pocaliton Limited	2	53.2	–	Property leasing	Hong Kong
Promax Limited	2	89.7	–	Property development	Hong Kong
Prosperland Housing Limited	1,560,000	100	100	Investment holding	Hong Kong
Purotat Limited*	2	100	100	Investment holding	Hong Kong
Rago Star Limited	2	53.2	–	Property leasing	Hong Kong
Scotat Limited	2	89.7	–	Investment holding	Hong Kong
Stanman Properties Limited	20	100	100	Property development & leasing	Hong Kong
Stooket Limited	2	53.2	–	Property leasing	Hong Kong
Style Giant Limited	2	89.7	–	Property development	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Tegraton Limited	2	53.2	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Velan Limited*	2	100	100	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	53.2	–	Property leasing	Hong Kong
Yangli Limited*	2	53.2	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding & securities trading	Hong Kong

34 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Wholly Foreign Owned Enterprises in mainland China	Registered Capital	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB3,556,877,355	53.2	–	Property development	Mainland China
Kunming Hang Ying Properties Ltd.	RMB4,787,321,800	53.2	–	Property development	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB5,382,096,324	53.2	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	53.2	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	53.2	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$4,229,600,000	53.2	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB3,837,746,261	53.2	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	HK\$509,000,000	53.2	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB3,930,000,000	53.2	–	Property development	Mainland China
Equity Joint Venture in mainland China	Registered Capital (US\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	52.2	–	Property development & leasing	Mainland China
Shanghai Heng Cheng Real Estate Development Co., Ltd.	17,766,000	70	–	Property development	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	53.1	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

35 PRINCIPAL JOINT VENTURES

At December 31, 2014

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Daily Win Development Limited	400	25	–	Property leasing	Hong Kong
Hang Hing Mortgage (TH) Limited	2	50	–	Financial services	Hong Kong
Hang Lung-Hakuyosha Dry Cleaning Limited	519,000	50	–	Dry and laundry cleaning	Hong Kong
Metro Classic Holdings Limited	US\$1	20	–	Property development	British Virgin Islands
Metro Trade International Limited	US\$5	20	–	Property development	British Virgin Islands
Newfoundworld Finance Limited	100,000	20	–	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	20	–	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US\$1	20	–	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	20	–	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	–	Property development	Hong Kong
Star Play Development Limited	3	17.7	–	Property leasing	Hong Kong

The above companies are not audited by KPMG.

The above list gives the principal joint ventures of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

Ten-Year Financial Summary

in HK\$ Million (unless otherwise stated)	Jan – Dec			Jul – Dec	For the year ended June 30					
	2014	2013	2012	2011 (Note 1)	2011	2010	2009	2008	2007	2006
Total assets	205,373	198,965	182,903	163,088	155,367	126,512	98,676	93,489	76,222	66,508
Investment properties	128,357	115,818	106,102	101,833	94,003	88,633	69,958	66,136	52,539	43,753
Properties for sale										
– Completed	4,068	4,055	4,843	5,158	5,089	5,086	6,954	6,805	9,706	10,215
– Under development	–	1,662	1,296	987	905	800	760	43	41	–
Cash and deposits with banks	40,323	39,704	40,183	26,149	28,274	11,852	9,632	10,738	7,092	6,189
Total liabilities	60,677	62,557	53,288	41,920	35,170	24,167	19,907	21,432	17,733	20,182
Bank loans and other borrowings	40,095	45,024	37,645	27,694	20,901	10,790	9,966	9,040	8,482	11,787
Floating rate notes	–	–	–	–	–	–	1,500	1,500	1,500	1,500
Shareholders' equity	76,026	70,572	65,224	60,510	58,972	52,973	40,640	36,782	29,095	25,013
Net assets (including non-controlling interests)	144,696	136,408	129,615	121,168	120,197	102,345	78,769	72,057	58,489	46,326
Turnover	17,606	9,734	7,986	3,361	5,714	12,580	4,696	10,553	4,778	4,200
Net profit attributable to shareholders	6,825	4,557	5,262	1,578	3,529	13,139	2,559	7,516	4,786	2,833
Underlying net profit (Note 2)	5,730	3,071	3,564	1,000	1,733	3,695	1,454	2,555	1,996	950
Dividends	1,097	1,079	1,066	512	1,025	1,017	941	941	813	739
Per share data										
Earnings										
– Basic	\$5.04	\$3.38	\$3.90	\$1.17	\$2.62	\$9.83	\$1.92	\$5.64	\$3.59	\$2.13
– Diluted	\$5.03	\$3.36	\$3.87	\$1.16	\$2.60	\$9.71	\$1.90	\$5.56	\$3.56	\$2.11
Underlying earnings (Note 2)										
– Basic	\$4.23	\$2.27	\$2.64	\$0.74	\$1.29	\$2.76	\$1.09	\$1.92	\$1.50	\$0.71
– Diluted	\$4.22	\$2.26	\$2.62	\$0.74	\$1.28	\$2.73	\$1.08	\$1.89	\$1.48	\$0.71
Dividends										
– Interim	19¢	19¢	19¢	–	19¢	19¢	16.5¢	16.5¢	14.5¢	14.5¢
– Final	62¢	61¢	60¢	38¢	57¢	57¢	54¢	54¢	46.5¢	41¢
– Total for the year/period	81¢	80¢	79¢	38¢	76¢	76¢	70.5¢	70.5¢	61¢	55.5¢
Shareholders' equity (Note 3)	\$56.1	\$52.3	\$48.3	\$44.9	\$43.7	\$39.6	\$30.5	\$27.6	\$21.8	\$18.8
Net assets (including non-controlling interests) (Note 3)	\$106.8	\$101.0	\$96.0	\$89.9	\$89.2	\$76.4	\$59.0	\$54.0	\$43.9	\$34.8
Net debt to equity ratio (Note 4)	0%	3.9%	0%	1.4%	0%	0%	2.8%	0.4%	5.9%	16.7%
Pay-out ratio	16%	24%	20%	32%	29%	8%	37%	13%	17%	26%
Underlying pay-out ratio (Note 2)	19%	35%	30%	51%	59%	28%	65%	37%	41%	78%
Number of shares issued (in Million)	1,355	1,350	1,350	1,348	1,348	1,339	1,334	1,334	1,334	1,332

Notes:

- In November 2011, the Board of Directors approved the change of the Group's financial year end date from June 30 to December 31. Thus, the Group had a six-month financial period from July 1 to December 31, 2011.
- To facilitate a better understanding of the Group's operational results, underlying net profit, earnings per share and pay-out ratio are presented by excluding the effect of changes in fair value of investment properties and investment properties under development and their related deferred tax and non-controlling interests.
- Based on year end balance divided by number of shares issued at the end of the reporting period.
- Net debt represents bank loans and other borrowings, floating rate notes and finance lease obligations, less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

DIRECTORS

Ronnie C. Chan (*Chairman*)
S.S. Yin (*Vice Chairman*)^{*}
Philip N.L. Chen (*Managing Director*)
Gerald L. Chan[#]
George K.K. Chang[#] (appointed on March 11, 2015)
H.K. Cheng *GBS, OBE, JP*^{*}
Laura L.Y. Chen^{*}
Simon S.O. Ip *CBE, JP*^{*}
L.C. Tsui *OC, GBS, JP*^{*}
Martin C.K. Liao *SBS, JP*^{*}
P.W. Liu *SBS, JP*^{*} (appointed on March 11, 2015)
H.C. Ho

[#] *Non-Executive Director*

^{*} *Independent Non-Executive Director*

AUDIT COMMITTEE

Simon S.O. Ip *CBE, JP* (*Chairman*)
H.K. Cheng *GBS, OBE, JP*
Laura L.Y. Chen
L.C. Tsui *OC, GBS, JP*
P.W. Liu *SBS, JP*

NOMINATION AND REMUNERATION COMMITTEE

H.K. Cheng *GBS, OBE, JP* (*Chairman*)
Laura L.Y. Chen
Simon S.O. Ip *CBE, JP*
Martin C.K. Liao *SBS, JP*
P.W. Liu *SBS, JP*

AUTHORIZED REPRESENTATIVES

Philip N.L. Chen
Bella P.L. Chhoa

COMPANY SECRETARY

Bella P.L. Chhoa

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INTERNET ADDRESS

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AUDITOR

KPMG
Certified Public Accountants

Listing Information

At December 31, 2014

1,354,918,242 shares listed on The Stock Exchange of Hong Kong Limited

STOCK CODE

Hong Kong Stock Exchange: 00010

Reuters : 0010.HK

Bloomberg : 10HK

BOARD LOT SIZE (SHARE)

1,000

AMERICAN DEPOSITARY RECEIPT (ADR)

Sponsored Level-1 (Over the Counter)

CUSIP Number/Ticker Symbol: 41043E102/HNLGY

ADR to Underlying Share Ratio: 1:5

Depository Bank: The Bank of New York Mellon

Website: <http://www.adrbnymellon.com>

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East, Wan Chai, Hong Kong

Tel: 2862 8555

Fax: 2865 0990

INVESTOR RELATIONS CONTACT

C.F. Kwan

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Share Information

	Share Price		Total Trading Volume Number of Shares ('000)	Share Price		Total Trading Volume Number of Shares ('000)
	High HK\$	Low HK\$		High HK\$	Low HK\$	
2014						
First quarter	40.60	34.60	38,125	48.25	42.65	66,587
Second quarter	45.00	38.25	35,103	47.70	38.50	54,193
Third quarter	45.00	37.90	32,210	42.25	37.60	36,894
Fourth quarter	39.35	34.10	29,978	42.90	37.30	44,563
Share Price as at December 31, 2014:			HK\$35.20	Share Price as at December 31, 2013:		HK\$39.15
Market Capitalization as at December 31, 2014:			HK\$47.69 billion	Market Capitalization as at December 31, 2013:		HK\$52.85 billion

STOCK CODE
00010



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