恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12

BUILDING VIBRANT COMMUNITIES

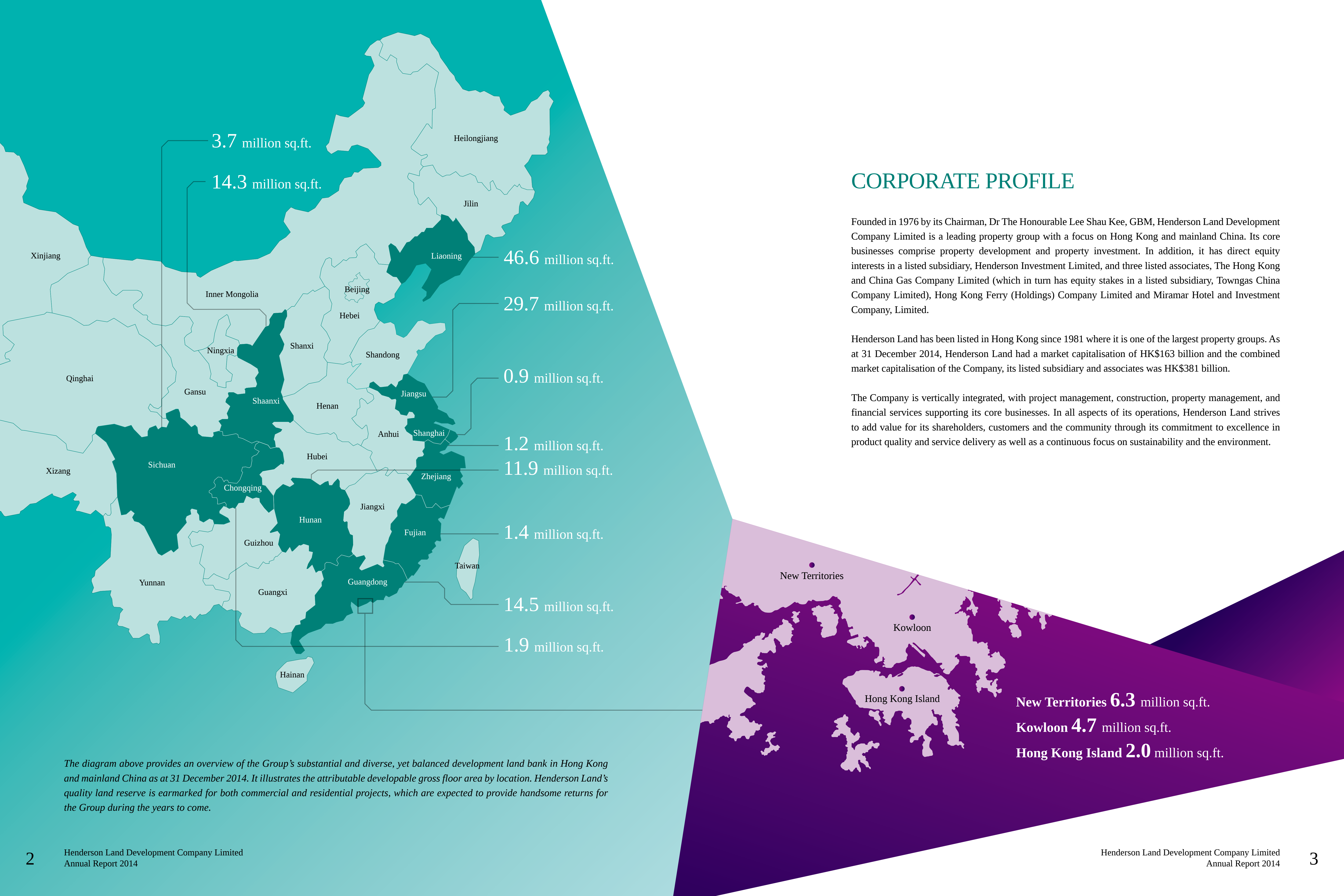
Henderson Land has been at the forefront of sustainable design and development for many years. Our innovative approach embraces world-class standards, as we carefully anticipate the needs and concerns of society in years to come. Offering a distinctive character and identity, the award-winning "Henderson 688", located in Nanjing Road West, exemplifies the Group's vision of development excellence. It is a new addition to the Group's significant portfolio of investment properties in Shanghai.

Annual Report 2014

Contents

Forward-Looking Statements

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



The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2014. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

CORPORATE PROFILE

Founded in 1976 by its Chairman, Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2014, Henderson Land had a market capitalisation of HK$163 billion and the combined market capitalisation of the Company, its listed subsidiary and associates was HK$381 billion.

The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.

MIPIM Asia Awards 2014
Reed MIDEM

Best Hotel & Tourism Development – Bronze Prize (Mira Moon)

China Property Awards 2014
Ensign Media and Perspective Limited

Best Developer
Best Residential Development (China) (Double Cove)
Best Residential Development – Large Scale (Hong Kong) (Double Cove)
Best Green Development (China) (14-30 King Wah Road)
Best Residential Development (Hong Kong) – Highly Commended (High Park & High Park Grand)

Asia Pacific Property Awards 2014-2015
International Property Awards

Apartment (Hong Kong) – Highly Commended (Double Cove)
Office Development (Hong Kong) – Highly Commended (14-30 King Wah Road)
Residential High-rise Development (Hong Kong) – Highly Commended (The Hemispheres)

Awards & Accolades

1. **HK-BEAM**
   HK-BEAM Society
   Platinum Standard (The Reach, The Gloucester, AIA Tower)
2. **BEAM Plus (New Buildings)**
   Hong Kong Green Building Council
   Provisional Platinum Rating (14-30 King Wah Road)
   Provisional Gold Rating (33 Shing On Street, 200 Ma Tau Wai Road, Global Trade Square, H•Bonaire)
   Provisional Silver Rating (50-56 and 58-64 Ma Tau Kok Road & 162-168 Pau Chung Street)
   Provisional Bronze Rating (High One)
3. **Green Building Award 2014**
   Hong Kong Green Building Council
   Merit Award (14-30 King Wah Road)
4. **Quality Building Award 2014**
   The Hong Kong Institute of Housing, Hong Kong Construction Association, The Hong Kong Institute of Architects and six other institutes/disciplines
   Merit Award (Hong Kong Residential [Single Building] Category) (The Gloucester)
5. **Intelligent Office Building of Year 2014**
   Asian Institute of Intelligent Buildings
   Distinction Rank (Henderson 688 and Greentech Tower, Shanghai)
6. **iProperty Best Development Awards 2014**
   iProperty Group
   Best Urban Living Development (The H Collection)
7. **Autodesk HK BIM Awards 2014**
   Autodesk
   Autodesk HK BIM Awards 2014 (14-30 King Wah Road)
8. **BCI Asia Top 10 Awards 2014**
   BCI Asia
   Top 10 Developers Award 2014
9. **Hang Seng Corporate Sustainability Index Series**
   Hang Seng Indexes Company Limited
   Constituent Company (Henderson Land, Hong Kong & China Gas, Towngas China)
10. **Caring Company 2013/14**
    Hong Kong Council of Social Services
    (Henderson Land, Hong Kong & China Gas, Hong Kong Ferry, Miramar Hotel, Miramar Travel, Hang Yick, Well Born & Goodwill)
11. **HKCA Safety Award 2013**
    Hong Kong Construction Association
    HKCA Proactive Safety Contractors Award 2013 (E Man, Heng Shung, Heng Tat)
12. **2014 International ARC Awards**
    MerComm, Inc.
    Honors (Chairman's Letter: Real Estate Development/Service: Various & Multi-Use)
13. **Gas Industry Award 2014**
    IGEM and EUA
    Company of the Year (Towngas China)
14. **2014 Questar Awards**
    MerComm, Inc.
    Corporations: Brand Experience – Silver (Mira Moon)
15. **2013/14 One Factory-One Year-One Environmental Project Programme**
    Federation of Hong Kong Industries and Hang Seng Bank
    Hang Seng-Pearl River Delta Environmental Awards – Green Participant (The Hongkong & Yaumati Ferry Company Limited, The Hong Kong Shipyard Limited)
    Hang Seng-Pearl River Delta Environmental Awards – 3 Years+ Entrant (The Hong Kong Shipyard Limited)
    Hang Seng-Pearl River Delta Environmental Awards – 5 Years+ Entrant (The Hongkong & Yaumati Ferry Company Limited)
16. **2013 Customer Relationship Excellence Awards**
    Asia Pacific Customer Service Consortium
    Corporate Environmental Leadership 2013 (Property Management) (Hang Yick and Well Born)
    Field Support Team 2013 (Property Management) (Hang Yick and Well Born)
    12 Consecutive Years of Participation (Well Born)
17. **Best Landscape Award 2014**
    HKSAR Leisure and Cultural Services Department
    Best Landscape Award for Private Property Development – Gold Award (Double Cove Phase 1)
18. **Excellence in Facility Management Award 2014**
    The Hong Kong Institute of Facility Management Limited
    Excellence in Facility Management Award (Retail) (Miramar Shopping Centre)
    Excellence in Facility Management Award (Office Building) – Certificate of Merit (AIA Financial Centre)

Henderson Land Group Structure

Market capitalisation as at 31 December 2014
Henderson Land Development Company Limited: HK$163 billion
Six listed companies of Henderson Land Group: HK$381 billion

Henderson Land Development Company Limited

Investment holding, property development and investment in Hong Kong and mainland China, hotel operation, project and property management, construction and provision of finance

33.33%

Hong Kong Ferry (Holdings) Company Limited

Property development and investment

69.27%

Henderson Investment Limited

Department store operation in Hong Kong and infrastructure in mainland China

41.51%

The Hong Kong and China Gas Company Limited

Production and distribution of gas in Hong Kong and mainland China

45.08%

Miramar Hotel and Investment Company, Limited

Hotel and serviced apartment, property rental, food and beverage, and travel

62.39%

Towngas China Company Limited

Sale and distribution of liquefied petroleum gas and natural gas in mainland China

Note: all percentage shareholdings shown above were figures as of 31 December 2014.

Highlights of 2014 Final Results

	Note	For the year ended 31 December 2014 HK$ million	 2013 HK$ million	Change
Property sales				
– Revenue	*1*	**16,802**	17,095	**-2%**
– Profit contribution	*1*	**3,376**	3,911	**-14%**
Property leasing				
– Gross rental income	*2*	**7,904**	7,307	**+8%**
– Net rental income	*2*	**5,988**	5,605	**+7%**
Profit attributable to equity shareholders				
– Underlying profit	*3*	**9,292**	8,938	**+4%**
– Reported profit		**16,752**	15,948	**+5%**
		HK$	HK$	
Earnings per share				
– Based on underlying profit	*3, 4*	**3.11**	3.04 (restated)	**+2%**
– Based on reported profit	*4*	**5.62**	5.43 (restated)	**+3%**
Dividends per share		**1.10**	1.06	**+4%**
Allotment of bonus share		**1 share for every 10 shares held**	1 share for every 10 shares held	**No change**
		At 31 December 2014	**At 31 December 2013**	**Change**
		HK$	HK$	
Net asset value per share	*4*	**79.38**	82.77	**-4%**
Net debt to shareholders' equity		**15.7%**	17.2%	**-1.5 percentage points**

	At 31 December 2014 Million square feet	At 31 December 2013 Million square feet
Properties in Hong Kong		
Land bank (attributable floor area)		
– Properties under development *(Note 5)*	**13.0**	13.7
– Unsold units from major launched projects	**0.9**	0.8
Sub-total:	**13.9**	14.5
– Completed properties (including hotels) for rental	**9.9**	10.1
Total:	**23.8**	24.6
New Territories land (attributable land area)	**44.5**	42.5
Properties in Mainland China		
Land bank (attributable floor area)		
– Properties held for/under development	**126.1**	136.1
– Completed stock for sale	**2.5**	1.2
– Completed properties for rental	**7.3**	6.6
	135.9	143.9

Note 1: Representing the Group's attributable share of property sales revenue and their profit contribution (before taxation) in Hong Kong and mainland China by subsidiaries, associates and joint ventures ("JVs").

Note 2: Representing the Group's attributable share of gross rental income and net rental income (before taxation) from investment properties in Hong Kong and mainland China held by subsidiaries, associates and JVs.

Note 3: Excluding the Group's attributable share of fair value change (net of deferred tax) of the investment properties held by subsidiaries, associates and JVs.

Note 4: The earnings per share were calculated based on the weighted average number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset values per share were calculated based on the number of issued shares outstanding at the respective balance sheet dates.

Note 5: Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

WE CREATE A VIBRANT ENVIRONMENT

DOUBLE COVE,
MA ON SHAN,
HONG KONG

Chairman's Statement

Dear Shareholders

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

Profit and Net Asset Value Attributable to Shareholders

The Group's underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2014 amounted to HK$9,292 million, representing an increase of HK$354 million or 4% over HK$8,938 million for the previous year. Underlying earnings per share were HK$3.11 (2013: HK$3.04 as adjusted for the bonus issue in 2014).

Including the fair value change (net of non-controlling interests and deferred tax) of investment properties, the Group's reported profit attributable to equity shareholders for the year ended 31 December 2014 was HK$16,752 million, representing an increase of HK$804 million or 5% over HK$15,948 million for the previous year. Reported earnings per share were HK$5.62 (2013: HK$5.43 as adjusted for the bonus issue in 2014).

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

Dividends

The Board recommends the payment of a final dividend of HK$0.76 per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.34 per share already paid, the total dividend for the year ended 31 December 2014 will amount to HK$1.10 per share (2013: HK$1.06 per share).

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

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

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

Issue of Bonus Shares

The Board proposes to make a bonus issue of one new share for every ten shares held (2013: one bonus share for every ten shares held) to shareholders whose names appear on the Register of Members on Wednesday, 10 June 2015. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Thursday, 9 July 2015.

Business Review

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

Dr The Honourable Lee Shau Kee, GBM
Chairman and Managing Director

Hong Kong

Property Sale

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

Development projects which were launched during the year to a positive response included "Double Cove Starview" and "Double Cove Starview Prime" in Ma On Shan (Phases 2 and 3 of "Double Cove"), "METRO6" in Hung Hom, "H • Bonaire" in Ap Lei Chau, as well as "High One Grand" and "High One" in Cheung Sha Wan. Meanwhile, "Double Cove" – Phase 1, "39 Conduit Road" at Mid-Levels, "The Reach" in Yuen Long, "Green Code" in Fanling, as well as an array of urban redevelopment boutique residences under "The H Collection", were also re-launched for sale. Over 93% and 54% of the respective units at "Double Cove Starview" and "Double Cove Starview Prime" had been snapped up at the end of 2014. For the year ended 31 December 2014, the Group sold an attributable total amount of HK$11,692 million of Hong Kong residences.

The Reach, Yuen Long, Hong Kong

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

Property Development

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

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

			No. of projects	Attributable saleable/ gross floor area (million sq.ft.) *(Note 1)*	Note
(A)	**Area available for sale in 2015:**				
1.	Unsold units from major launched projects	(Table 1)	20	0.9	
2.	Projects pending sale in 2015	(Table 2)	9	0.9	
			Sub-total:	**1.8**	Of which floor area of about 840,000 sq.ft. was sourced from urban redevelopment projects
(B)	**Projects in Urban Areas:**				
3.	Existing urban redevelopment projects	(Table 3)	5	1.3	Date of sales launch not yet fixed and two of them are pending finalization of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	(Table 4)	13	1.3	Most of them are expected to be available for sale in 2016-2017
5.	Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	(Table 5)	27	2.1	Most of them are expected to be available for sale in 2017-2019
6.	Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	(Table 6)	40	1.3	Redevelopments of these projects are subject to consolidation of their ownership
7.	15 Middle Road, Tsim Sha Tsui Kowloon		1	0.3	To be held for rental purposes upon completion of development
	Total for the above categories (A) and (B) development projects:			**8.1**	
(C)	**Major development projects in New Territories:**				
–	Fanling North/Kwu Tung			4.0	*(Note 2)*
–	Wo Shang Wai			0.9	*(Note 2)*
–	Lot No. 2640 in DD No. 92, Castle Peak Road-Kwu Tung, Sheung Shui, New Territories			0.5	
–	Others			0.4	
			Sub-total:	**5.8**	
			Total for categories (A) to (C):	**13.9**	

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

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

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

There are 20 development projects available for sale:

						At 31 December 2014	
	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units remaining unsold	Approximate saleable area remaining unsold (sq.ft.)
1.	Double Cove – Phases 1-3 8 Wu Kai Sha Road, Ma On Shan	762,227	2,230,495	Commercial/ Residential	59.00	581	509,000
2.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	239	182,000
3.	Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	33.33	29	23,000
4.	High Park* 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	18	13,000
5.	High Point* 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	22	9,000
6.	High Place* 33 Carpenter Road	3,582	31,632	Commercial/ Residential	100.00	14	5,000
7.	The Hemispheres* 3 Gordon Road, North Point	7,386	61,603	Commercial/ Residential	100.00	49	24,000
8.	The Gloucester* 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	8	11,000
9.	High West* 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	17	8,000
10.	39 Conduit Road* Mid-Levels	56,748	229,255	Residential	60.00	15 *(Note 1)*	43,000 *(Note 1)*
11.	The Beverly Hills – Phases 1-3 23 Sam Mun Tsai Road Tai Po	982,376	1,165,240	Residential	90.10	3	18,000
12.	Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	6	17,000

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	At 31 December 2014 No. of residential units remaining unsold	At 31 December 2014 Approximate saleable area remaining unsold (sq.ft.)
13.	Green Lodge Tong Yan San Tsuen Yuen Long	78,781	78,781	Residential	100.00	6	13,000
14.	METRO6 121 Bulkeley Street Hung Hom	6,268	55,557	Commercial/ Residential	33.33	42	17,000
15.	High One Grand* 188 Fuk Wing Street Cheung Sha Wan	7,350	62,858	Commercial/ Residential	100.00	30	14,000
16.	High One* 571 Fuk Wa Street Cheung Sha Wan	7,560	63,788	Commercial/ Residential	100.00	58	16,000
17.	H•Bonaire* 68 Main Street, Ap Lei Chau	7,953	65,763	Commercial/ Residential	100.00	93	48,000
18.	E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	60,000 *(Note 2)*
19.	Global Trade Square 21 Wong Chuk Hang Road Aberdeen	14,298	214,467	Office	50.00	Not applicable	5,000 *(Note 2)*
20.	Global Gateway Tower* 63 Wing Hong Street Cheung Sha Wan	28,004	336,052	Industrial	100.00	Not applicable	202,000 *(Note 2)*
					Sub-total:	**1,230**	**1,237,000**
					Approximate area attributable to the Group:		**942,000**

Note 1: In addition, there are 16 residential units held for investment purpose.

Note 2: Representing the commercial or industrial construction area.

* *Urban redevelopment projects totalling approximately 380,000 square feet of remaining saleable area attributable to the Group.*

(Table 2) Projects pending sale in 2015

In the absence of unforeseen delays, the following projects will be available for sale in 2015:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of Residential Units	Residential gross floor area (sq.ft.)
1.	Jones Hive* 8 Jones Street, Causeway Bay (launched for sale in January 2015)	6,529	65,267	Residential	79.762	119	56,520 *(Note 1)*
2.	200 Ma Tau Wai Road* To Kwa Wan	4,905	41,222	Commercial/ Residential	100.00	120	36,764
3.	High Park Grand* 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	41	50,625
4.	33 Shing On Street* Sai Wan Ho	7,513	79,771	Commercial/ Residential	100.00	234	65,857
5.	Double Cove – Phase 4 8 Wu Kai Sha Road, Ma On Shan *(Note 2)*	194,532	387,166	Residential	59.00	474	387,166
6.	Double Cove – Phase 5 8 Wu Kai Sha Road, Ma On Shan *(Note 2)*	85,638	332,953	Residential	59.00	176	332,953
7.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street* To Kwa Wan	11,400	102,474	Commercial/ Residential	100.00	300	85,478
8.	11-33 Li Tak Street, Tai Kok Tsui*	19,600	176,400	Commercial/ Residential	100.00	448	134,396
9.	23 Robinson Road, Mid-Levels*	31,380	156,896	Residential	25.07	90	156,896
					Sub-total:	**2,002**	**1,306,655**
					Area attributable to the Group:		**882,406**

Note 1: Representing the residential saleable area.

Note 2: Pending the issue of pre-sale consent.

* *Urban redevelopment projects offering a total of 1,352 residential units, of which about 460,000 square feet of residential gross floor area is attributable to the Group.*

(Table 3) Existing urban redevelopment projects

The Group has a total of 5 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.3 million square feet in attributable gross floor area in the urban areas based on the Government's latest city planning:

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

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

Note 2: Investment property.

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

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

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

There are 13 newly-acquired urban redevelopment projects with ownership fully consolidated and in the absence of unforeseen delays, most of these projects are expected to be available for sale in 2016-2017. Their expected attributable gross floor areas, based on the Government's latest city planning, are as follows:

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area upon redevelopment (sq.ft.)	
	Hong Kong			
1.	208-212 Johnston Road, Wanchai	3,277	49,155	*(Note 1)*
2.	307-329 Des Voeux Road West, Western District (20% stake held by the Group)	10,034	21,018	
3.	450-456G Queen's Road West, Western District	28,392	276,934	
4.	852-858 King's Road and 21-39 Mansion Street, Quarry Bay	17,720	168,640	
	Sub-total:	**59,423**	**515,747**	
	Kowloon			
5.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965	
6.	8-30A Ka Shin Street, Tai Kok Tsui	19,519	174,573	
7.	2-12 Observatory Road, Tsim Sha Tsui (50% stake held by the Group)	13,765	82,579	*(Note 1)*
8.	38-40A Hillwood Road, Tsim Sha Tsui	4,586	55,027	*(Note 1)*
9.	1-15 Berwick Street, Shek Kip Mei	9,788	78,304	
10.	342-348 Un Chau Street, Cheung Sha Wan	4,579	38,922	
11.	352-354 Un Chau Street, Cheung Sha Wan	2,289	19,457	
12.	11-19 Wing Lung Street, Cheung Sha Wan	6,510	58,577	*(Note 2)*
13.	7-7G Victory Avenue, Homantin	9,865	83,348	
	Sub-total:	**93,786**	**796,752**	
	Total:	**153,209**	**1,312,499**	

Note 1: To be held for rental purposes upon completion of development.

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

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

There are 27 newly-acquired urban redevelopment projects with over 80% ownership acquired and their ownership will be consolidated by proceeding to the court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2017-2019. On the basis of the Government's latest city planning, the expected gross floor areas are shown as follows:

	Project name and location		Site area (sq.ft.)	Expected attributable gross floor area upon redevelopment (sq.ft.)
	Hong Kong			
1.	85-95 Shek Pai Wan Road, Aberdeen		4,950	42,075
2.	4-6 Tin Wan Street, Aberdeen		1,740	14,790
3.	12-18 Tin Wan Street, Aberdeen		4,148	39,406
4.	9-13 Sun Chun Street, Tai Hang		2,019	18,171
5.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)		52,466	306,920
6.	73-73E Caine Road, Mid-Levels		6,781	60,635
7.	13-15 Wood Road, Wanchai		3,993	33,941
8.	2 Tai Cheong Street, Sai Wan Ho		13,713	123,417
		Sub-total:	**89,810**	**639,355**
	Kowloon			
9.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan		23,031	206,301
10.	2A-2F Tak Shing Street, Jordan		10,614	84,912
11.	456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po		22,965	206,685
12.	1-19 Nam Cheong Street, Sham Shui Po		8,625	77,625
13.	79-83 Fuk Lo Tsun Road, Kowloon City		3,630	30,855
14.	35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui		20,114	175,677
15.	21-27 Berwick Street and 202-220 Nam Cheong Street, Shek Kip Mei		15,788	126,304
16.	3-8 Yiu Tung Street, Shek Kip Mei		6,825	54,600
17.	10-16 Gillies Avenue South, Hung Hom		6,800	57,800
18.	26-28 Gillies Avenue South and 76-78 Baker Street, Hung Hom		2,975	26,775
19.	15-21C Whampoa Street and 80-86 Baker Street, Hung Hom		8,125	73,125

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area upon redevelopment (sq.ft.)
20.	6-16A Whampoa Street, Hung Hom	10,200	86,700
21.	30-36 Gillies Avenue South and 75-77 Baker Street, Hung Hom	6,375	57,375
22.	42-44 Gillies Avenue South, Hung Hom	3,400	28,900
23.	23-25 Whampoa Street and 79-81 Baker Street, Hung Hom	2,625	23,625
24.	31-33 Whampoa Street, Hung Hom	3,000	25,500
25.	30-36A Whampoa Street, Hung Hom	6,800	57,800
26.	39-41 Whampoa Street and 12A-12B Bulkeley Street, Hung Hom	2,800	25,200
27.	46-50 Gillies Avenue South, Hung Hom	2,800	25,200
	Sub-total:	**167,492**	**1,450,959**
	Total for 27 projects with over 80% ownership:	**257,302**	**2,090,314**

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

The Group has other acquisitions in progress, involving 40 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging from between 20% and 80% has been achieved. The attributable land area of these projects totals about 300,000 square feet. If and when their ownerships are successfully consolidated, based on the Government's latest city planning, the total estimated attributable gross floor area would be about 2,740,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 1,260,000 square feet.

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

Land Bank

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

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

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

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

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

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

Note: Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

Land in Urban Areas

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

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

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

New Territories land

At the end of December 2014, the Group held New Territories land reserves amounting to approximately 44.5 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already published in the Gazette in December 2013. Of the Group's land holding of 2.8 million square feet in these areas, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use through cash compensation. The Group has earlier applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung. They are expected to provide total developable gross floor areas of approximately 3,730,000 square feet and 270,000 square feet respectively, against their respective site areas of 787,000 square feet and 45,000 square feet. Developable areas for both sites are subject to finalization of land premium.

According to the aforementioned "North East New Territories New Development Areas Planning and Engineering Study", the region at Ping Che/Ta Kwu Ling will be re-planned, in response to the "2013 Policy Address" which put forward an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" on a study area of about 5,300 hectares. In order to increase the land supply for housing, during the period the Government formulated the Preliminary Outline Development Plan for "Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation" and launched its Stage 2 Community Engagement. It also released the "Land Use Review for Kam Tin South and Pat Heung". The Group holds certain pieces of land in these Study Areas.

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

Investment Properties

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

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

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

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

ifc mall, Central, Hong Kong

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

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

Mira Moon, Causeway Bay, Hong Kong


Metro City Plaza II, Tseung Kwan O, Hong Kong

The leasing performance of the Group's luxury residences, namely "Eva Court" and "39 Conduit Road", as well as the serviced suites at "Four Seasons Place" was satisfactory. "Mira Moon", the 91-room designer lifestyle hotel operated by Miramar Hotel and Investment Company, Limited since its opening in November 2013, also performed well during the year under review.

Hotel and Retailing Operations

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

Four Seasons Hotel Hong Kong, Central, Hong Kong

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

Construction and Property Management

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

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

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

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	Attributable gross floor area (sq.ft.)
1.	High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	58,471
2.	Green Code 1 Ma Sik Road Fanling	95,800	538,723	Commercial/ Residential	33.33	179,556
3.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	70,340
4.	Double Cove Starview (Double Cove – Phase 2) 8 Wu Kai Sha Road Ma On Sha	65,983	633,725	Residential	59.00	373,898
5.	High Place 33 Carpenter Road	3,582	31,632	Commercial/ Residential	100.00	31,632
6.	High Park Grand 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	60,750
					Total:	**774,647**

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

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

The Group's Property Management team believes that excellent building quality, when supplemented by a comprehensive and meticulous after-sales property management service, generates certain synergies. "Double Cove – Phase 1" in Ma On Shan, which is already an award-winning development for its building excellence, was awarded Gold in "The Best Landscape Award for Private Property Development 2014" during the year under review. An array of residential developments which were also under the Group's management were named Merit Winners, reaffirming the efforts of the Property Management team to promote a green lifestyle and sustainable living environment. For those urban boutique residences under "The H Collection", the

Property Management team provides unparalleled one-stop home services to the residents enabling them to enjoy hassle-free urban living. The Group's commitment to quality property management services has also been extended to its projects in mainland China. During the year under review, "Hengbao Huating" in Guangzhou and "The Arch of Triumph" in Changsha received the designations respectively as the "Leading Enterprise for Property Management Services in Liwan District 2013" and the "1st runner-up in the Property Services Excellence for Housing Community".

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

Mainland China

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

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

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

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

At 31 December 2014, the Group had approximately 2.5 million square feet in attributable gross floor area of completed property stock. The Group also held a sizeable development land bank encompassing 16 major cities with a total attributable gross floor area of about 126.1 million square feet. Around 79% of this total was planned for residential development for sale.

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq.ft.)
Prime cities		
Shanghai		0.9
Guangzhou		14.5
	Sub-total:	**15.4**
Second-tier cities		
Anshan		17.8
Changsha		11.9
Chengdu		3.7
Chongqing		1.9
Dalian		9.5
Fuzhou		1.4
Hangzhou		1.2
Nanjing		1.4
Shenyang		10.6
Suzhou		18.3
Tieling		8.7
Xian		14.3
Xuzhou		2.8
Yixing		7.2
	Sub-total:	**110.7**
	Total:	**126.1**

* *Excluding basement areas and car parks*

Usage of development land bank

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

Property Sales

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

Investment Properties

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

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

Henderson 688, Jingan District, Shanghai

known as "My Avenue 688" has been designed to be the latest trendy meeting hub in Shanghai. Unique eateries with distinctive cuisines from different cultures have been attracted to operate in this new landmark.

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

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

Henderson Investment Limited ("HIL")

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

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

Citistore

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

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

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

Associated Companies

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

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$7,109 million, an increase of HK$255 million compared to 2013. Exclusive of its share of a revaluation surplus from investment properties and unrealised exchange differences on the Renminbi, this group's profit after taxation for the year increased by approximately HK$640 million to approximately HK$7,000 million, an increase of 10% compared to 2013 mainly attributable to a rise in profit from its local businesses and mainland utility businesses. During the year under review, this group invested HK$6,365 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

Gas Business in Hong Kong

Total volume of gas sales in Hong Kong for the year increased slightly by 1% to 28,835 million MJ whereas appliance sales revenue increased by 6.1% with a total of 252,135 sets sold, both compared to 2013. As at the end of 2014, the number of customers was 1,819,935, an increase of 21,204 compared to 2013, slightly up by 1.2%.

Utility Businesses in Mainland China

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

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

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

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

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

ECO methanol plant in Inner Mongolia

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

Inclusive of projects of Towngas China, this group had 202 projects on the mainland as at the end of 2014, 29 more than at the end of 2013, spread across 24 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

Emerging Environmentally-Friendly Energy Businesses

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

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

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

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

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

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

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

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

Financing Programmes

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

In January 2014, this group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Capital Securities"), amounting to US$300 million. These Perpetual Capital Securities have a nominal interest rate of 4.75% per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia at that time, and thereafter will have a floating interest rate. The Perpetual Capital Securities were rated "A3" and "A-" by Moody's and Standard & Poor's respectively.

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

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

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

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

Green Code, Fanling, Hong Kong

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

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

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

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

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

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

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

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

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

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

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

Mira Mall, Tsim Sha Tsui, Hong Kong

Corporate Finance

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

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

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

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

Prospects

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

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

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

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

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

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

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

Appreciation

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

Lee Shau Kee
Chairman

Hong Kong, 23 March 2015

FOR
VIBRANT
LIFESTYLES

THE REACH,
YUEN LONG,
HONG KONG

Progress of Major Development Projects

Status of property developments with anticipated completion during the period to the end of 2017

Double Cove, 8 Wu Kai Sha Road, Ma On Shan (59% owned)

Site area	:	**1,042,397 square feet**
Gross floor area	:	**2,950,614 square feet**
Residential units	:	**3,535**
Expected completion	:	**Third quarter of 2015 (Phase 3) Fourth quarter of 2015 (Phase 4) First quarter of 2016 (Phase 5)**

Designed by the world-renowned Rogers Stirk Harbour + Partners, "Double Cove" was declared "Best Residential Development (China)" and "Best Residential Development – Large Scale (Hong Kong)" in the prestigious "China Property Awards 2014". It was also awarded Gold in the Leisure and Cultural Services Department's "Best Landscape Award for Private Property Development 2014". Located on a unique twin-cove peninsula with sweeping views across Tolo Harbour and in close proximity to Wu Kai Sha MTR terminus, this waterfront development is scheduled to be completed in five phases. Phases 1 and 2 were completed in 2013 and 2014 respectively and already its superior building quality and attentive handover services have been highly appreciated by the residents and owners. Construction of the remaining three phases has proceeded to the superstructure stage and they will comprise 13 residential towers containing 1,742 units in various configurations to suit homebuyers' preferences.

METRO6, 121 Bulkeley Street, Hung Hom (33.33% owned)

Site area	:	**6,268 square feet**
Gross floor area	:	**55,557 square feet**
Residential units	:	**95**
Completion	:	**26 February 2015**

Acquired through a government tender in June 2011, the site is developed into a 25-storey commercial-cum-residential building. A satisfactory response has been received for its pre-sale since July 2014.

The Hemispheres, 3 Gordon Road, North Point (100% owned)

Site area	:	**7,386 square feet**
Gross floor area	:	**61,603 square feet**
Residential units	:	**119**
Completion	:	**12 March 2015**

"The Hemispheres", a boutique apartment tower, is adjacent to both Fortress Hill and Tin Hau MTR stations. With the vibrant Causeway Bay shopping hub as well as Victoria Park in its proximity, this development offers unrivalled convenience to the residents.

High Park, 51 Boundary Street (100% owned)

Site area	:	**5,880 square feet**
Gross floor area	:	**52,919 square feet**
Residential units	:	**59**
Expected completion	:	**First quarter of 2015**

During the year under review, "High Park" was "Highly Commended" in the Best Residential Development (Hong Kong) Category of the prestigious "Asia Property Awards 2014". "High Park" is adjacent to Prince Edward MTR station which is the interchange of Tsuen Wan Line and Kwun Tong Line. Just steps away are the cross-border coach terminus, flower bazaar and Mong Kok shopping avenue. Superstructure works are in progress and it will be developed into a 32-storey residential-cum-commercial tower, overlooking the Police Sports and Recreation Club, as well as the lush greenery nearby.

2-12 Observatory Road, Tsim Sha Tsui (50% owned)

Site area	:	**13,765 square feet**
Gross floor area	:	**82,585 square feet**
Expected completion	:	**Second quarter of 2015**

Superstructure works are in progress and this development project, which boasts quality office and retail spaces in the vibrant Tsim Sha Tsui commercial district, will be held for rental purposes.

Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan (100% owned)

Site area	:	**28,004 square feet**
Gross floor area	:	**336,052 square feet**
Expected completion	:	**Second quarter of 2015**

The prime location close to Lai Chi Kok MTR station together with the iconic visionary architecture and round-the-clock facilities make this project a new benchmark for premium industrial premises in West Kowloon. The building has been topped out and interior renovation and E&M installation works are in progress.

High One Grand, 188 Fuk Wing Street, Cheung Shan Wan (100% owned)

Site area	:	**7,350 square feet**
Gross floor area	:	**62,858 square feet**
Residential units	:	**110**
Expected completion	:	**Third quarter of 2015**

Situated close to both Cheung Sha Wan and Sham Shui Po MTR stations, it will be developed into a 31-storey residential-cum-commercial property. Its prime location, coupled with the Group's reputation for premium quality, splendid design and high specifications made this a popular development amongst homebuyers when it went on pre-sale in August 2014. Superstructure works are in progress.

High One, 571 Fuk Wa Street, Cheung Sha Wan (100% owned)

Site area	:	**7,560 square feet**
Gross floor area	:	**63,788 square feet**
Residential units	:	**187**
Expected completion	:	**Fourth quarter of 2015**

Adjacent to both Cheung Sha Wan and Lai Chi Kok MTR stations, "High One" offers an array of amenities (such as a sports centre and sports ground) within walking distance to meet the needs of the urban dwellers. It will be developed into a quality 27-storey residential-cum-commercial property. Superstructure works have been progressing well and it was launched for pre-sale in November 2014.

200 Ma Tau Wai Road, To Kwa Wan (100% owned)

Site area	:	**4,905 square feet**
Gross floor area	:	**41,222 square feet**
Residential units	:	**120**
Expected completion	:	**Fourth quarter of 2016**

Adjacent to Ma Tau Wai MTR station of The Shatin to Central Link, which is now under construction, it will be developed into a residential-cum-commercial property and superstructure works are in progress.

33 Shing On Street, Sai Wan Ho (100% owned)

Site area	:	**7,513 square feet**
Gross floor area	:	**79,771 square feet**
Residential units	:	**234**
Expected completion	:	**Fourth quarter of 2016**

Adjacent to Sai Wan Ho MTR station, it will be developed into a quality residential-cum-commercial property and superstructure works are in progress.

H•Bonaire, 68 Main Street, Ap Lei Chau (100% owned)

Site area	:	**7,953 square feet**
Gross floor area	:	**65,763 square feet**
Residential units	:	**106**
Expected completion	:	**First quarter of 2017**

H•Bonaire, a high-rise apartment tower above a 3-storey retail and clubhouse podium, offers sweeping views of Aberdeen Harbour to its residents. Adjacent to MTR Lei Tung Station now under construction, it is well situated for convenient access to all districts of Hong Kong. Superstructure work is now underway and it was already put up for pre-sale in December 2014.

50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan (100% owned)

Site area	:	**11,400 square feet**
Gross floor area	:	**102,474 square feet**
Residential units	:	**300**
Expected completion	:	**Second quarter of 2017**

Adjacent to the To Kwa Wan MTR station of The Shatin to Central Link, which is now under construction, this site will be built into a commercial-cum-residential development. According to the Government's Kai Tak Development Plan, an array of amenities including a multi-purpose sports complex and a metro park will be in close proximity. Its foundation work is in progress.

11-33 Li Tak Street, Tai Kok Tsui (100% owned)

Site area	:	**19,600 square feet**
Gross floor area	:	**176,400 square feet**
Residential units	:	**448**
Expected completion	:	**Second quarter of 2017**

This commercial-cum-residential development is located in close proximity to the Olympic MTR station, surrounded by various community facilities and shopping arcades. The site is under superstructure stage.

Jones Hive, 8 Jones Street, Causeway Bay (79.762% owned)

Site area	:	**6,529 square feet**
Gross floor area	:	**65,267 square feet**
Residential units	:	**119**
Expected completion	:	**Third quarter of 2017**

Located in Tai Hang, which houses an array of distinctive dining outlets with Causeway Bay shopping hub and Victoria Park within walking distance, "Jones Hive" offers unrivalled living convenience to its residents. Superstructure work for this 37-storey residential tower is in progress. Pre-sale was launched in January 2015.

Location of Various Categories of Development Projects

Unsold Units from the Major Development Projects Offered for Sale

1 Double Cove (Phases 1-3)
2 The Reach
3 Green Code
4 High Park
5 High Point
6 High Place
7 The Hemispheres
8 The Gloucester
9 High West
10 39 Conduit Road
11 The Beverly Hills (Phases 1-3)
12 Hill Paramount
13 Green Lodge
14 METRO6
15 High One Grand
16 High One
17 H•Bonaire
18 E-Trade Plaza
19 Global Trade Square
20 Global Gateway Tower

Projects Pending Sale in 2015

21 Jones Hive
22 200 Ma Tau Wai Road, To Kwa Wan
23 High Park Grand
24 33 Shing On Street, Sai Wan Ho
25 Double Cove (Phase 4)
26 Double Cove (Phase 5)
27 50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan
28 11-33 Li Tak Street, Tai Kok Tsui
29 23 Robinson Road, Mid-Levels

Existing Urban Redevelopment Projects

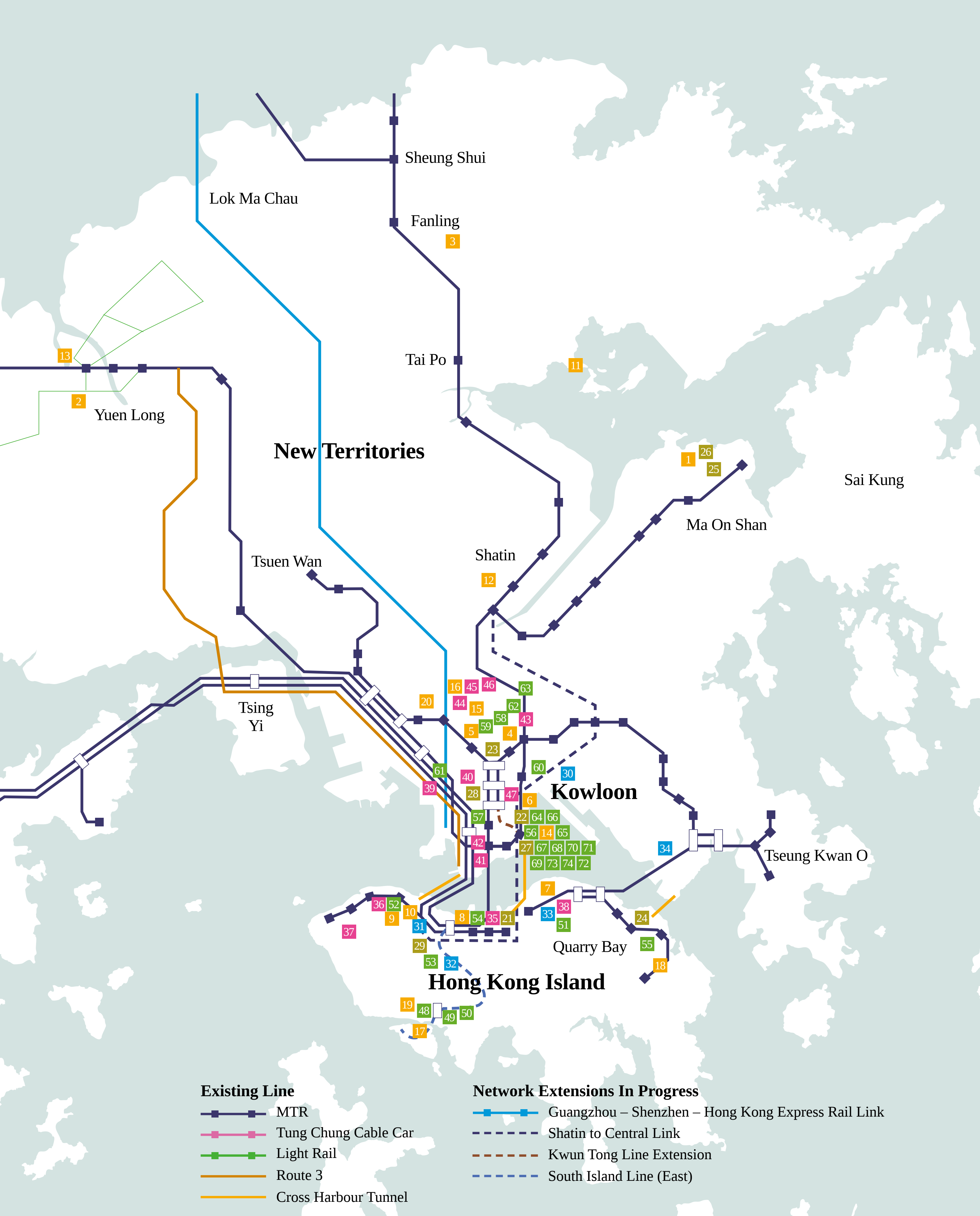
30 Big Star Centre
31 45-47 Pottinger Street and Ezra's Lane, Central
32 29 Lugard Road, The Peak
33 14-30 King Wah Road, North Point
34 Yau Tong Bay

Newly-acquired Urban Redevelopment Projects – with Over 80% Ownership Secured

48 85-95 Shek Pai Wan Road, Aberdeen
49 4-6 Tin Wan Street, Aberdeen
50 12-18 Tin Wan Street, Aberdeen
51 9-13 Sun Chun Street, Tai Hang
52 4A-4P Seymour Road, Mid-Levels
53 73-73E Caine Road, Mid-Levels
54 13-15 Wood Road, Wanchai
55 2 Tai Cheong Street, Sai Wan Ho
56 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan
57 2A-2F Tak Shing Street, Jordan
58 456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po
59 1-19 Nam Cheong Street, Sham Shui Po
60 79-83 Fuk Lo Tsun Road, Kowloon City
61 35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui
62 21-27 Berwick Street and 202-220 Nam Cheong Street, Shek Kip Mei
63 3-8 Yiu Tung Street, Shek Kip Mei
64 10-16 Gillies Avenue South, Hung Hom
65 26-28 Gillies Avenue South and 76-78 Baker Street, Hung Hom
66 15-21C Whampoa Street and 80-86 Baker Street, Hung Hom
67 6-16A Whampoa Street, Hung Hom
68 30-36 Gillies Avenue South and 75-77 Baker Street, Hung Hom
69 42-44 Gillies Avenue South, Hung Hom
70 23-25 Whampoa Street and 79-81 Baker Street, Hung Hom
71 31-33 Whampoa Street, Hung Hom
72 30-36A Whampoa Street, Hung Hom
73 39-41 Whampoa Street and 12A-12B Bulkeley Street, Hung Hom
74 46-50 Gillies Avenue South, Hung Hom

Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

35 208-212 Johnston Road, Wanchai
36 307-329 Des Voeux Road West, Western District
37 450-456G Queen's Road West, Western District
38 852-858 King's Road and 21-39 Mansion Street, Quarry Bay
39 25-29 Kok Cheung Street, Tai Kok Tsui
40 8-30A Ka Shin Street, Tai Kok Tsui
41 2-12 Observatory Road, Tsim Sha Tsui
42 38-40A Hillwood Road, Tsim Sha Tsui
43 1-15 Berwick Street, Shek Kip Mei
44 342-348 Un Chau Street, Cheung Sha Wan
45 352-354 Un Chau Street, Cheung Sha Wan
46 11-19 Wing Lung Street, Cheung Sha Wan
47 7-7G Victory Avenue, Homantin


Sheung Shui
Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
Tsuen Wan
Shatin
Tsing Yi
Kowloon
Tseung Kwan O
Quarry Bay
Hong Kong Island
Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Network Extensions In Progress
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Line Extension
South Island Line (East)

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet): Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	-	-	-	108,214	49
Golden Centre	170-188 Des Voeux Road Central	2050	100.00	-	21,842	134,450	-	156,292	-
FWD Financial Centre	308-320 Des Voeux Road Central	2865	100.00	-	31,987	182,373	-	214,360	-
AIA Tower	183 Electric Road, North Point	2047	100.00	-	22,338	490,072	-	512,410	207
One International Finance Centre	1 Harbour View Street, Central	2047	40.76	-	53,452	319,754	-	373,206	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.76	-	207,423	451,746	-	659,169	189
Four Seasons Place	8 Finance Street, Central	2047	40.76	216,050	-	-	-	216,050	7
39 Conduit Road	39 Conduit Road, Mid-Levels	2061	60.00	35,545	-	-	-	35,545	48
Mira Moon	388-390 Jaffe Road, Wanchai	2026	100.00	66,128	-	-	-	66,128	-
Kowloon									
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	-	33,511	64,422	-	97,933	-
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	-	-	-	150,212	150,212	-
Well Tech Centre	9 Pat Tat Street, San Po Kong	2047	100.00	-	-	161,998	-	161,998	40
The Globe (formerly known as Dragon Centre)	79 Wing Hong Street, Cheung Sha Wan	2023	100.00	-	-	172,114	-	172,114	76
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	-	47,860	919,004	-	966,864	394
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	-	-	-	119,995	119,995	16
Bamboos Centre	52 Hung To Road, Kwun Tong	2047	100.00	-	-	-	125,114	125,114	-
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	-	-	216,593	-	216,593	70
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	-	13,620	-	-	13,620	-
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	-	53,443	-	-	53,443	-
New Territories									
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	-	151,513	-	-	151,513	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	-	94,657	-	-	94,657	130
The Trend Plaza	Tuen Mun Heung Sze Wui Road, Tuen Mun	2047	100.00	-	195,280	-	-	195,280	78
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	-	9,566 *(Note)*	-	-	9,566	151

				Attributable gross floor area (square feet)					
Name	Location	Lease expiry	Group's interest (%)	Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
City Landmark I (renamed as KOLOUR • Tsuen Wan I on 13 April 2015)	68 Chung On Street, Tsuen Wan	2047	74.96	-	138,555	156,981	-	295,536	100
City Landmark II (renamed as KOLOUR • Tsuen Wan II on 13 April 2015)	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	-	155,022	-	-	155,022	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	-	154,259	-	-	154,259	104
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	-	100,029	-	-	100,029	545
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	-	114,730	-	-	114,730	67
Blocks A & B, Sunshine City	18 On Shing Street, Ma On Shan	2047	100.00	-	9,305	-	-	9,305	-
Blocks C & D Sunshine City	22 On Shing Street, Ma On Shan	2047	100.00	-	10,236	-	-	10,236	-
Blocks N, P, Q & R, Sunshine City	8 On Shing Street, Ma On Shan	2047	100.00	-	58,881	-	-	58,881	186
Sunshine City Plaza	18 On Luk Street, Ma On Shan	2047	100.00	-	532,637	-	-	532,637	829
Sunshine Bazaar	628 Sai Sha Road, Ma On Shan	2047	100.00	-	79,642	-	-	79,642	224
Citimall (renamed as KOLOUR • Yuen Long on 13 April 2015)	1 Kau Yuk Road, Yuen Long	2047	100.00	-	140,341	-	-	140,341	51
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	-	35,186	-	-	35,186	-
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	-	87,766	-	-	87,766	-
Metro City Phase 2 Shopping Arcade	8 Yan King Road, Tseung Kwan O	2047	100.00	-	956,849	-	-	956,849	669
The Metropolis, Metro City Phase 3 Shopping Arcade	8 Mau Yip Road, Tseung Kwan O	2047	100.00	-	266,954	-	-	266,954	233
Citygate	20 Tat Tung Road, Tung Chung, Lantau Island	2047	20.00	-	92,536	32,280	-	124,816	233
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	-	30,139	-	-	30,139	250
Double Cove Place	8 Wu Kai Sha Road, Ma On Shan	2047	59.00	-	58,131	-	-	58,131	328
			Total:	**425,937**	**3,957,690**	**3,301,787**	**395,321**	**8,080,735**	**5,656**

Note: In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group

Major Completed Investment Properties

1 Eva Court
2 Golden Centre
3 FWD Financial Centre
4 AIA Tower
5 One International Finance Centre
6 Two International Finance Centre
7 Four Seasons Place
8 39 Conduit Road
9 Mira Moon
10 Hollywood Plaza
11 Winning Centre
12 Well Tech Centre
13 The Globe
14 Manulife Financial Centre
15 78 Hung To Road
16 Bamboos Centre
17 AIA Financial Centre
18 Cité 33
19 The Sparkle
20 Fanling Centre
21 Flora Plaza
22 The Trend Plaza
23 Marina Cove
24 City Landmark I
25 City Landmark II
26 Skyline Plaza
27 Shatin Centre
28 Shatin Plaza
29 Blocks A & B, Sunshine City
30 Blocks C & D,Sunshine City
31 Blocks N, P, Q & R, Sunshine City
32 Sunshine City Plaza
33 Sunshine Bazaar
34 Citimall
35 La Cité Noble Shopping Arcade
36 Dawning Views Plaza
37 Metro City Phase 2 Shopping Arcade
38 The Metropolis
39 Citygate
40 The Sherwood
41 Double Cove Place

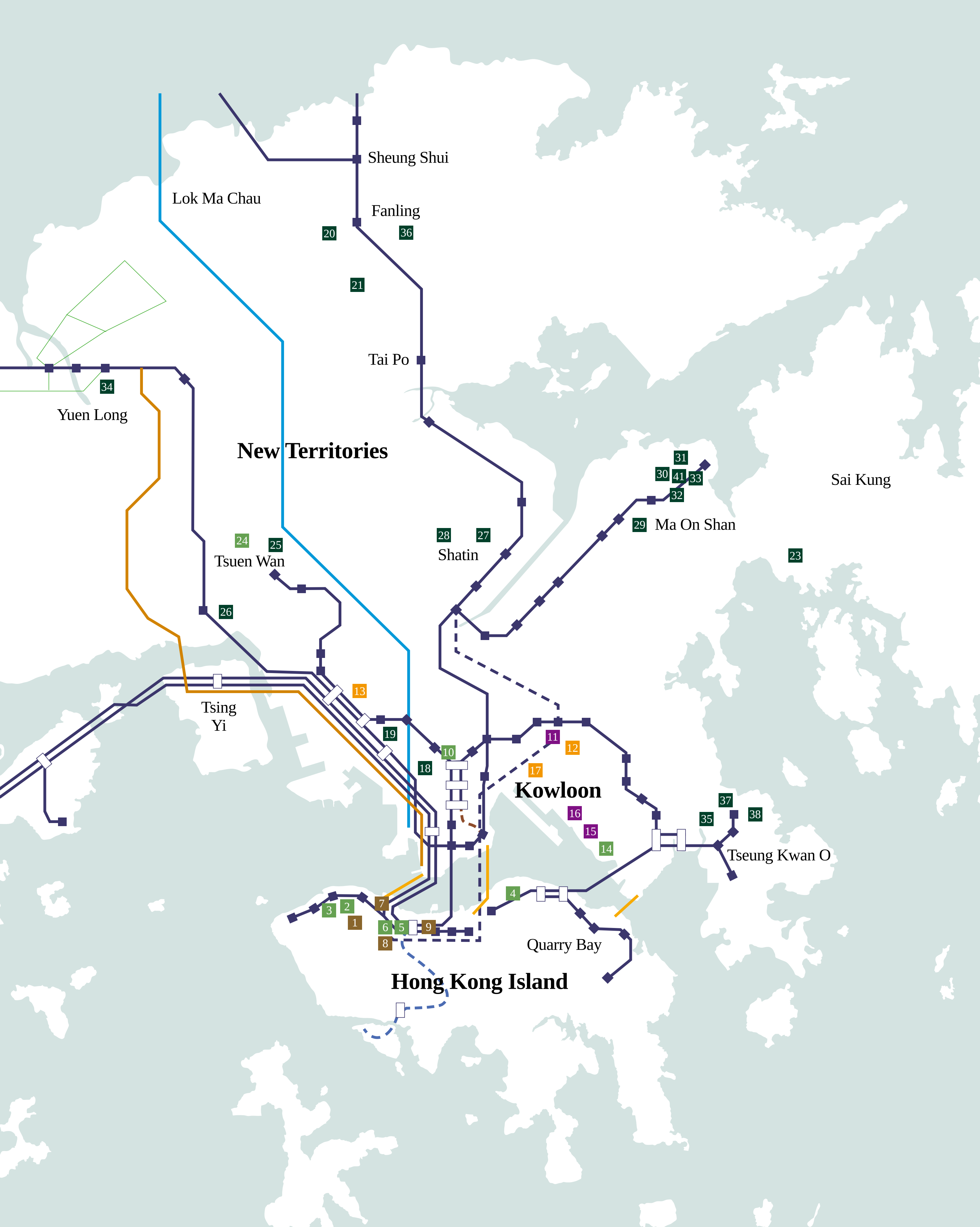
Residential / Hotel Serviced Suites
Commercial
Office
Industrial / Office & Industrial
Commercial & Office

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

Network Extensions In Progress

Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Line Extension
South Island Line (East)


Sheung Shui
Lok Ma Chau
Fanling
20
36
21
Tai Po
34
Yuen Long
New Territories
31
30
41
33
32
Sai Kung
29
Ma On Shan
28
27
Shatin
24
25
Tsuen Wan
23
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13
Tsing
Yi
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Kowloon
37
38
35
16
15
14
Tseung Kwan O
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Quarry Bay
Hong Kong Island

ARC DE TRIOMPHE,
ANSHAN

ISLAND PALACE, YIXING

EMERALD VALLEY,
NANJING

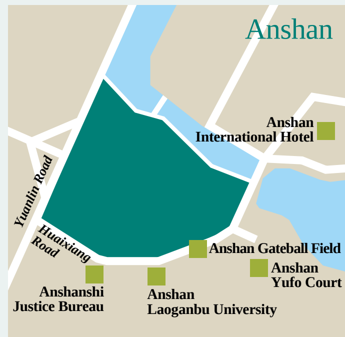
IN VIBRANT CITIES

Progress of Major Development Projects

Anshan

Arc De Triomphe (100% owned)

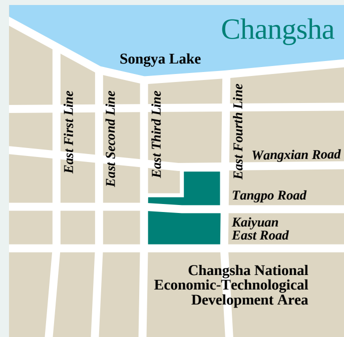
Arc De Triomphe, Anshan (artist's impression)



Adjacent to the scenic Yufoshan municipal park, a site in the city centre will be developed in phases into a high-end residential community with a total gross floor area of approximately 3,500,000 square feet. Phase 1 was a sale centre. Phase 2, with 1,200,000 square feet of residences, kicked off its construction in 2013 with completion scheduled for the fourth quarter of 2016. Phase 3 of the residential development is now subject to the review and approval by the planning bureau.

Changsha

The Arch of Triumph (100% owned)



The Arch of Triumph, Changsha

The Arch of Triumph is a community development with around 7,000,000 square feet of premium residential units to be built in three phases and its 33-storey Arc De Triomphe-style building is a landmark development in this new town of Xingsha. Phases 1, 2A and 2B were completed already. Phase 3 will provide approximately 3,270,000 square feet of residential area, in addition to 360,000 square feet of serviced apartments, commercial facilities and primary school upon their successive completion during the period from 2016 to 2017. Phase 3A was well received by homebuyers when it was launched for pre-sale in September 2014.

Chengdu

Chengdu ICC (30% owned)

Chengdu ICC, Chengdu (artist's impression)

Chengdu ICC is situated in a prime area of Dongda Road commercial and financial district near the Second Ring Road and River Shahe, with a panoramic view of Tazishan Park. It will be connected to a metro station linking Line No. 2 and the proposed Line No. 8, just two stops from the Chengdu East rail station, offering easy access to other parts of the country. This project will have over 13,000,000 square feet of gross floor area, including two distinctive 280-metre towers regarded as the "Tianfu Gateway". This composite development will include Grade-A offices, modern shopping malls, a five-star hotel, an observation deck and luxury residences. Phase 1 deluxe residential development "Sirius", with about 1,600,000 square feet of gross floor area, was put up for sale.

Chongqing

Grand Waterfront (100% owned)

Grand Waterfront, Chongqing

Adjacent to a municipal park in Nan'an District, Grand Waterfront will be a luxury riverside residential development, complemented by commercial facilities, a kindergarten and clubhouses. The uniquely-designed, rhythmic grouping of its 23 apartment towers will offer most of its 3,050 residential units an expansive southern view of the Yangtze River. The whole project, with the gross floor area of about 3,600,000 square feet, will be completed in four phases. Phases 1 and 2 provided a total gross floor area of about 2,700,000 square feet for 2,250 apartments. Phase 1 was completed in 2012, whilst Phase 2 was completed in batches in 2014 and in the first quarter of 2015. Phase 3, providing 528 apartments with a gross floor area of about 600,000 square feet, is now under construction and planned for completion in the third quarter of 2015. Phase 4, comprising approximately 300,000 square feet for 272 apartments, is also scheduled for completion in the third quarter of 2015.

Dalian

Henderson • Country Garden Jin Shi Tan Project (50% owned)

Henderson • Country Garden Jin Shi Tan Project, Dalian (artist's impression)

Located in Jin Shi Tan scenic spot with a light-rail station and Maple Leaf International School in the proximity, a site of about 3,200,000 square feet is planned to be developed into a low-density luxury residential project. Complemented by a resident clubhouse and commercial facilities, it will provide an aggregate gross floor area of about 1,500,000 square feet for about 1,600 households. Construction works began in 2014.

Guangzhou

Haizhu Plaza (100% owned)

Haizhu Plaza, Guangzhou (artist's impression)

In the Central Business District of Yuexiu District, Haizhu Plaza will be another of the Group's iconic integrated developments, comprising over 1.7 million square feet of gross floor area made up of about 800,000 square feet of high-end retail space and two office towers of over 900,000 square feet. The project sits on the bank of the Pearl River and will be connected to Haizhu Square subway station which is the interchange of two lines. Construction will commence shortly.

Hangzhou

Henderson CIFI Palace (51% owned)

In Yuhang Chongxian New Town, a residential and commercial site of about 930,000 square feet will be built into a composite development with about 2,200 housing units and commercial facilities, providing a total gross floor area of over 2.3 million square feet. Pre-sale was launched in 2014 and it is due for single-phased completion in the fourth quarter of 2015.

Henderson CIFI Palace, Hangzhou (artist's impression)

Nanjing

Emerald Valley (100% owned)

Emerald Valley, Nanjing

Located in Xianlin New District, this land lot of approximately 1,600,000 square feet will be developed into a high-end residential project, complemented by a nursery, amenities and a community centre and other facilities, providing an aggregate gross floor area of about 1,250,000 square feet. With the relocation of universities and colleges into this district and the opening of Xianlin subway station in May 2010, this university town's community facilities and transportation network is being further enhanced. Following the completion of Phase 1 development in 2013, construction of Phase 2 has commenced in the first quarter of 2014 with the scheduled completion in the second quarter of 2016. Pre-sale was launched in the third quarter of 2014 and market response has been satisfactory.

Shanghai

Henderson • CIFI Centre (50% owned)

Henderson • CIFI Centre, Shanghai (artist's impression)

Located in the Minhang Hongqiao Central Business District, a land lot of about 910,000 square feet will be developed into quality office space, complemented by luxury apartments and commercial area, providing a total gross floor area of about 1,730,000 square feet. It has sold well when it was launched for sale in 2014.

Shenyang

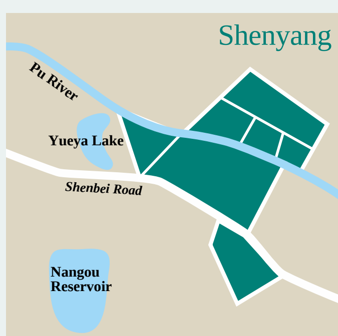
Shenyang International Finance Centre (100% owned)

Shenyang International Finance Centre, Shenyang (artist's impression)

The Shenyang International Finance Centre project is located in the Shenyang Finance & Trade Development Zone. To the northwest is the Shenyang North Railway Station, whilst a subway station is also within walking distance, bringing added convenience to this project. This project will comprise serviced apartment buildings, a suite hotel, an office tower and a shopping mall, providing a total gross floor area of about 3,140,000 square feet.

Golden Riverside (100% owned)

Golden Riverside, Shenyang (artist's impression)



Located in the scenic Puhe New District Development with many natural wonders such as Yueya Lake, Pu River, parks and hills within the vicinity, the site will be developed in phases into a low-rise and low-density residential development with a total gross floor area of about 7,560,000 square feet. Its first phase of development, with a total gross floor area of about 260,000 square feet for 68 low-rise residential units, was completed in 2014. Construction of the second phase of development, comprising 316 low-rise, low-density and multi-storey apartments with a total gross floor area of around 1,150,000 square feet, is due for completion in the fourth quarter of 2015.

Suzhou

Riverside Park (100% owned)

Riverside Park, Suzhou

Riverside Park, a community development project in Xiangcheng District, is supported by increasingly improved facilities. Benefitting from Suzhou's picturesque beauty and reputation as the "Venice of the East", its residential development nestles among scenic water-themed surroundings. The entire residential project will have over 6,300,000 square feet of gross floor area to be completed in six phases. Phase 1, comprising 892 luxury residences with a gross floor area of about 1,100,000 square feet, was completed in batches in 2012 and 2013. Phases 2 and 3, with a total gross floor area of about 1,650,000 square feet for 1,384 luxury residences, were completed in 2014. Phase 4, comprising 682 luxury residences with a gross floor area of about 860,000 square feet, has been launched for pre-sale since the fourth quarter of 2014 and is scheduled for completion in the fourth quarter of 2016. Construction commenced on Phase 5, consisting of 1,233 luxury residences with a gross floor area of about 1,400,000 square feet, in the fourth quarter of 2014 and is expected to be completed successively during the fourth quarter of 2017.

Adjacent to the residential community of Riverside Park, a land parcel of 1,600,000 square feet will be developed in phases into a composite commercial development. There will be a retail avenue, shopping mall, catering and entertainment facilities, office tower, serviced suites, plaza for outdoor activities as well as other supporting facilities, providing a total commercial gross floor area of about 10,000,000 square feet. Upon completion, it will also have direct access to a light-rail station, which is now under construction. Construction works for Phase 1 of about 806,000 square feet have commenced and pre-sale is expected to be launched in 2015.

Tieling

New Town Central District Development (100% owned)

New Town Central District Development, Tieling (artist's impression)

Located next to the administration centre of the municipal government with the scenic Yuyi Lake in the proximity, the 2,750,000-square-foot land lot will be developed into an exhibition centre, as well as office-cum-commercial complex with a total gross floor area of approximately 4,900,000 square feet. Phase 1A with about 380,000 square feet has kicked off its construction in the third quarter of 2014.

Xian

La Botanica, Chan River (50% owned)

La Botanica, Chan River, Xian

Jointly developed by the Group and CapitaLand Township Private Limited of Singapore, La Botanica is located within the scenic Chan Ba Ecological District with a subway line connecting to the city centre. This community development will have a total gross floor area of about 33,000,000 square feet, providing homes for up to 29,000 families upon full completion. Phases 1A, 1B (C1 and C2), 2A, 3A (C1 and C2) and 2R6, with a total gross floor area of 8,590,000 square feet, were completed. Phases 4R1 and 2R2, which comprise 1,640,000 square feet and 2,460,000 square feet of residences respectively, are now under construction with the expected completion in 2015 and 2016.

Palatial Crest (100% owned)

Palatial Crest, Xian

Adjacent to the Hujia Temple subway station, which is now under construction, Palatial Crest is conveniently located at Jinhua North Road on the main artery of Second Ring Road East. The entire project will be completed in three phases, offering a total residential gross floor area of over 3,350,000 square feet for 2,744 families. Phase 1 of 480,000 square feet was sold out and completed in 2012. Construction of another 2,150,000 square feet of deluxe high-rise residential units in Phase 2 commenced in the first quarter of 2012. Of which Phase 2A was completed in the fourth quarter of 2014 and handed over to the buyers, whilst Phase 2B development is planned for hand-over in the second quarter of 2015. Phase 2C (including clubhouse) was also launched for pre-sale in the fourth quarter of 2014 with planned completion in late 2016. Phase 3, comprising approximately 720,000 square feet of deluxe high-rise residential flats, has commenced its construction in the third quarter of 2014. They will be handed over to buyers in two batches in the third quarter of 2017 and the third quarter of 2018, respectively.

Xuzhou

Xuzhou Lakeview Development (100% owned)

Xuzhou Lakeview Development, Xuzhou

Catering to mid to high-end home buyers, Xuzhou Lakeview Development benefits from the beautiful natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. The project, which includes luxury detached houses, high-rise apartments, commercial premises and other facilities, will be completed in four phases, providing a total residential area of approximately 4,860,000 square feet for 3,541 families. Phases 1A, 1B and 3 with a total gross floor area of 2,700,000 square feet for 1,692 residences were completed already. Both Phases 2A and 2B, with a total gross floor area of 2,100,000 square feet for 1,849 premium residences, are now under construction. A commercial area of about 617,000 square feet is also under construction and upon the planned completion of this Phase 4 development in the second quarter of 2016, it will provide entertainment and shopping areas, as well as catering facilities.

Yixing

Grand Lakeview (100% owned)

Grand Lakeview, Yixing

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a 5-minute drive away from the city centre. To be completed in 11 phases, this lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 square feet for over 6,800 families. In the Site F, 1,800,000 square feet of residences in Phases 1A/1B/1C was completed in 2013, whereas the residential-cum-commercial development in Phase 1D is under construction, providing a total gross floor area of 300,000 square feet upon its scheduled completion in the fourth quarter of 2015. It was launched for pre-sale in the third quarter of 2014 and generated a satisfactory response. Development of Phases 1A/1B/1C in the Site B1, which boasts a total residential gross floor area of about 1,400,000 square feet and commercial gross floor area of 50,000 square feet respectively, will be launched for pre-sale in the third quarter of 2015 with the scheduled completion in the fourth quarter of 2016.

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet) Commercial	Office	Total	Carparks
Beijing							
World Financial Centre	No. 1 East Third Ring Middle Road, Chaoyang District	2044	100.00	187,338	1,975,212	2,162,550	-
Henderson Centre	No. 18 Jian Guo Men Nei Avenue, Dongcheng District	2033	100.00	888,658	-	888,658	244,573
Shanghai							
Henderson Metropolitan	No. 300 Nanjing Road East, Huangpu District	2053	100.00	425,396	429,109	854,505	181,143
Henderson 688	No. 688 Nanjing Road West, Jingan District	2044	100.00	54,475	660,880	715,355	204,936
2 Grand Gateway	No. 3 Hong Qiao Road, Xuhui District	2043	100.00	-	687,981	687,981	-
Skycity	No. 547 Tian Mu Road West, Zhabei District	2042	100.00	293,448	142,353	435,801	93,782
Centro	No. 568 Heng Feng Road, Zhabei District	2042	100.00	65,467	368,658	434,125	74,938
Greentech Tower	No. 436 Heng Feng Road, Zhabei District	2042	100.00	52,922	355,883	408,805	71,016
Guangzhou							
Heng Bao Plaza	No. 133 Bao Hua Road, Liwan District	2040	100.00	699,875	-	699,875	216,157
			Total:	**2,667,579**	**4,620,076**	**7,287,655**	**1,086,545**

Business Model and Strategic Direction

Business Model

Henderson Land has established a diversified business model which comprises "three pillars" namely, property investment, strategic investments and property development in both Hong Kong and mainland China. The property investment business and strategic investments provide a reliable and growing income source to the Group, while the property development business is a dynamic profit driver.

The Group's property development business in Hong Kong is vertically integrated, enabling the design, development, construction, sales and management of development projects to be executed in an efficient manner. The Group applies a cost effective approach of land banking by acquiring old buildings for redevelopment in the urban areas and converting the land-use of New Territories land in order to obtain development land sites at a reasonable cost. For mainland China projects, the Group focuses on large-scale residential developments in the second and third-tier cities, which are characterised by a preponderance of middle class residents, whilst also owning a premier portfolio of commercial investment properties in the first-tier cities.

In Hong Kong, the Group's substantial and diverse property investment portfolio mainly comprises offices and shopping arcades in prime locations, as well as a number of large-scale shopping malls located in strategic locations above or adjacent to MTR stations. The Group also owns a number of residential properties and industrial/office buildings, making its investment portfolio more balanced and diversified. In mainland China, the Group owns exceptionally well designed and quality large-scale commercial complexes situated in prime locations for rental purposes.

As regards strategic investments, the Group is the largest shareholder of three listed companies, namely, The Hong Kong and China Gas Company Limited ("HKCG"), Miramar Hotel and Investment Company, Limited ("Miramar") and Hong Kong Ferry (Holdings) Company Limited ("HKF"). HKCG is engaged in the production and distribution of gas in Hong Kong and mainland China. Miramar is engaged in property investment, hotel operation and food and beverage operations. HKF is engaged in property development and investment. HKCG, being a public utility company, provides a very substantial income to the Group.

Strategic Direction

The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

Building for a sustainable future with low land costs

Instead of bidding for land at high prices through public auctions or tenders, the Group has chosen to replenish its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Although this approach of land banking may require a relatively longer period of time to fulfill its objectives as compared to participating in public tenders, it ensures a more reliable source of land supply with a reasonable acquisition cost, which is beneficial to the Group's development returns in the long term.

As a sustainable property developer, the Group is highly proactive in its commitment to environmental stewardship during the process of its development activities, and carefully anticipates the needs and concerns of society.

Locating prime sites for property investment with a stable income stream

The Group's property investment portfolio is well diversified with commercial and residential properties situated in prime locations, generating a recurring and steady income stream. Furthermore, the department store business operated by the Group's listed subsidiary – Henderson Investment Limited, mainly at the Group's properties, serve to maximise the value and occupancy rate of the Group's investment properties.

Expanding the mainland China market

Property development and property investment in mainland China provide the Group with potential for territorial expansion. The Group will actively seek to expand its land bank in the mainland China, targeting projects for first time home buyers and upgraders. Apart from developing properties on its own, the Group will continue looking for new joint-venture projects with local property developers.

Holding of strategic investment for constant return

The investments in the three listed associates, HKCG, Miramar and HKF, provide stable and constant returns for the Group. The distinctive business nature of HKCG, in particular, is a supplement to the Group's core businesses of property development and property investment and allows Henderson Land to smooth out the cyclicality of the Group's property development business.

Conservative financial strategy

The Group employs a conservative funding and treasury strategy. It consistently keeps a low to moderate financial gearing ratio with abundant unutilised committed banking facilities in place that are of medium term in tenor. The Group maintains an excellent ongoing relationship with the major commercial banks while endeavouring to diversify its funding sources through debt issuance in different financial markets.

Financial Review

Management discussion and analysis

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2014.

Turnover and profit

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

	Year ended 31 December 2014 HK$ million	2013 HK$ million	*Increase %*
Profit attributable to equity shareholders of the Company			
– including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**16,752**	15,948	*+5%*
– excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**9,292**	8,938	*+4%*

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

	Year ended 31 December 2014 HK$ million	2013 HK$ million	*Increase/(Decrease) HK$ million*	*%*
Underlying profit attributable to shareholders	**9,292**	8,938	*354*	*+4%*
(Less)/add:				
One-off (income)/expense items –				
Reversal of the accrued site settlement cost of a terminated development project in mainland China	**(113)**	–	*(113)*	
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	**(10)**	(35)	*25*	
Dividend income received from the Group's investment in a property development project in Hong Kong	**(132)**	–	*(132)*	
Net gain on disposal of investment properties and subsidiaries	**(713)**	(674)	*(39)*	
Gain on bargain purchase arising from the acquisition of additional interests in Hong Kong Ferry (Holdings) Company Limited ("HK Ferry") and Miramar Hotel and Investment Company, Limited ("Miramar")	**–**	(158)	*158*	
Impairment loss in relation to an investment in available-for-sale equity securities	**362**	344	*18*	
Adjusted underlying profit attributable to shareholders	**8,686**	8,415	*271*	*+3%*

Discussions on the major reportable segments are set out below.

Property development

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

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

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

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

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

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

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

	Year ended 31 December			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**2,680**	2,810	*(130)*	*-5%*
Associates	**327**	18	*309*	*+1,717%*
Joint ventures	**369**	1,083	*(714)*	*-66%*
	3,376	3,911	*(535)*	*-14%*

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

Property leasing

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

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

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

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

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

Construction

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

Infrastructure

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

For the financial performance of the Group's infrastructure business for the year ended 31 December 2014, please refer to the paragraph headed "Henderson Investment Limited ("HIL")" in the Chairman's Statement on pages 30 and 31 of the Company's annual report for the year ended 31 December 2014 of which this Financial Review forms a part. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right of Hangzhou Qianjiang Third Bridge, for the sake of prudence, the toll revenue commencing from 20 March 2012 (including the toll revenue for the year ended 31 December 2014) has not been recognised in the Group's financial statements. The increase in the loss from operations of HK$14 million for the year ended 31 December 2014 is mainly attributable to the casual repair and replacement works of the component parts of Hangzhou Qianjiang Third Bridge during the year.

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

Hotel operation

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

Department store operation

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

Other businesses

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

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

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

Associates

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

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

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

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

Joint ventures

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

Finance costs

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

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$5,538 million in the consolidated statement of profit or loss for the year ended 31 December 2014 (2013: HK$6,345 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2014, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$10,420 million (2013: HK$11,194 million), with tenures of between four years and twenty years. These notes are included in the Group's bank and other borrowings at 31 December 2014 as referred to in the paragraph "Maturity profile and interest cover" below.

Maturity profile and interest cover

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

	At 31 December 2014 HK$ million	At 31 December 2013 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
– Within 1 year	**13,590**	7,418
– After 1 year but within 2 years	**6,940**	12,588
– After 2 years but within 5 years	**20,512**	18,938
– After 5 years	**1,660**	7,841
Amount due to a fellow subsidiary	**5,021**	5,474
Total debt	**47,723**	52,259
Less: Cash and bank balances	**10,303**	13,915
Net debt	**37,420**	38,344
Shareholders' funds	**238,150**	223,402
Gearing ratio (%)	**15.7%**	17.2%

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

The interest cover of the Group is calculated as follows:

	Year ended 31 December **2014** **HK$ million**	 2013 HK$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures	**11,810**	11,227
Interest expense (before interest capitalisation)	**1,840**	1,986
Interest cover (times)	**6**	6

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

Treasury and financial management

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

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

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond and the Yen borrowings in the aggregate principal amounts of US$672,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 31 December 2014 (2013: US$835,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates in the aggregate principal amount of HK$12,000,000,000 at 31 December 2014 (2013: HK$12,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Material acquisition and disposals

Material acquisition

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

Material disposals

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

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

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

Save as disclosed above, the Group did not undertake any other significant acquisitions or disposals of subsidiaries or assets during the year ended 31 December 2014.

Charge on assets

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

Capital commitments

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

Contingent liabilities

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

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

(ii) an amount of HK$232 million (2013: HK$467 million) relates to guarantees given by the Company in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 31 December 2014; and

(iii) an amount of HK$1,234 million (2013: HK$1,303 million) relates to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2014 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

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

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

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

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

Total staff costs for the year ended 31 December 2014 amounted to HK$2,088 million (2013: HK$1,907 million), which comprised (i) staff costs included under directors' remuneration of HK$138 million (2013: HK$139 million); and (ii) staff costs (other than directors' remuneration) of HK$1,950 million (2013: HK$1,768 million).

Five Year Financial Summary

		Year ended 31 December				
		2010	2011	2012 (restated)	2013	2014
	Note	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Profit for the year	*1&4*	15,820	17,184	20,201 ^	15,948	16,752
Underlying profit for the year	*1,2&4*	5,042	5,560	7,091 ^	8,938	9,292
		HK$	HK$	HK$	HK$	HK$
Earnings per share	*1,4&6*	7.32	7.44	7.70 ^	5.43	5.62
Underlying earnings per share	*1,2,4&6*	2.33	2.41	2.70 ^	3.04	3.11
Dividends per share	*1*	1.00	1.00	1.06	1.06	1.10

		At 31 December				
		2010	2011 (restated)	2012 (restated)	2013	2014
	Note	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Fixed assets	*3*	84,068	92,771	101,072	108,872	119,705
Interest in associates	*3&4*	37,981	40,092 ^	42,403 ^	48,108	50,146
Interest in jointly controlled entities/ joint ventures	*3*	20,947	23,722	29,588	31,046	32,365
Inventories		60,717	68,204	76,403	80,233	80,101
Net debt	*5*	44,818	36,890	35,205	38,344	37,420
Net asset value	*1,3&4*	159,038	185,311 ^	205,163 ^	223,402	238,150
Net debt to net asset value		28.2%	19.9%	17.2%	17.2%	15.7%
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	*1,3,4&6*	73.09	78.22 ^	84.95 ^	82.77	79.38

^ *As restated in accordance with the change in accounting policy as referred to in note 4 below.*

Notes:

1 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

2 *These figures were calculated based on profit attributable to equity shareholders of the Company and adjusted by excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities/joint ventures.*

3 *In order to comply with the amendments to Hong Kong Accounting Standard ("HKAS") 40, Investment property, the Group has changed its accounting policy to recognise investment property under development at fair value at the earliest reporting date at which fair value could be reliably estimated, rather than waiting until completion of the construction. This accounting policy was applied prospectively as from 1 January 2010 and net assets and profits for earlier periods have not been restated.*

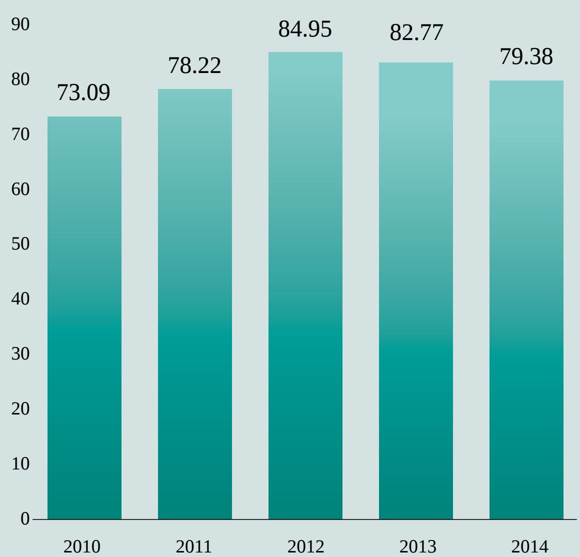
Commencing from the year ended 31 December 2010, the Group has adopted the amendments to HKAS 17, Leases. As a result, certain leases of land (previously included under "Interests in leasehold land held for own use under operating leases") with carrying amounts of HK$880 million at 31 December 2010 were reclassified as finance leases and were included under "Fixed assets".

4 *For the year ended 31 December 2013, as a result of the adoption of revised HKAS 19, Employee benefits, the Group's certain associates have changed their accounting policy with respect to defined benefit plans. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to the comparative figures for the year ended 31 December 2012.*

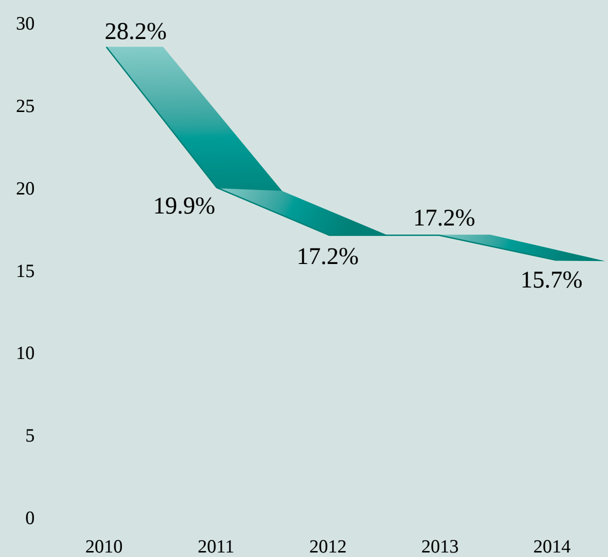
5 *Net debt represents the total of bank loans and overdrafts, guaranteed notes and the amount due to a fellow subsidiary minus cash and bank balances.*

6 *The earnings per share for the year ended 31 December 2013 were calculated based on weighted average number of shares as adjusted for the effect of the bonus issue in July 2014 under HKAS 33, Earnings per share. The net asset values per share were calculated based on the number of issued shares outstanding at the respective balance sheet dates.*

Net asset value per share (HK$)

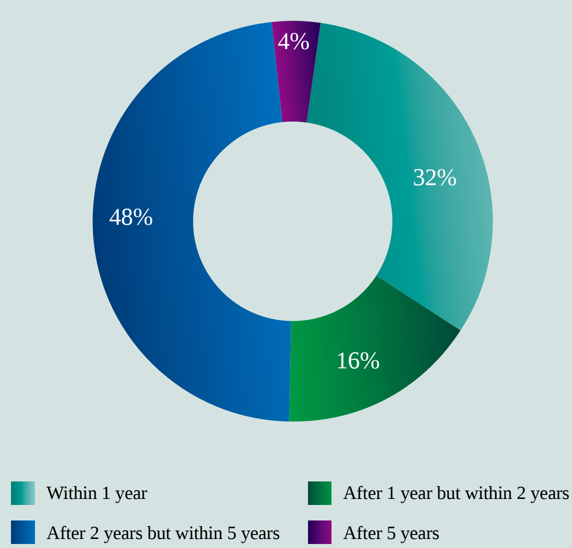


Net debt to net asset value (%)



Maturity profile of the Group's bank and other borrowings repayable[note 1]

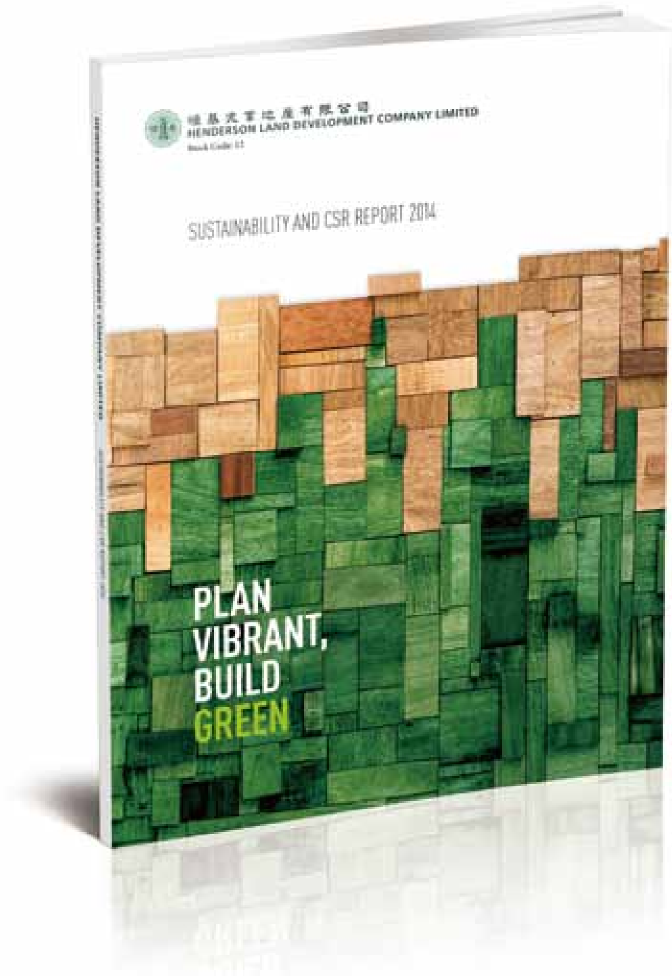
at 31 December 2014



Underlying earnings / dividends per share (HK$)

Note 1: Excluding the amount due to a fellow subsidiary.

Sustainability and CSR



This chapter provides a summary of Henderson Land's strategy and achievements in respect of sustainability. For further details, please refer to the standalone 2014 annual Sustainability and CSR Report which is available on the Company's website www.hld.com.

Henderson Land takes a highly proactive approach to sustainability and CSR and has always conducted its business in a way that contributes to society and invests in the future. Driven by the Group's senior management team, every effort is made to meet and, where possible, exceed all applicable legal and regulatory requirements.

As one of the first developers to apply internationally recognised green building standards and adopt new sustainable building technologies, Henderson Land continues to be at the forefront of green building in Hong Kong. The Group's ongoing progress and commitment to these disciplines are exemplified by its extensive team of professional green building specialists and the many major green awards it has been honoured with.

To-date the Group has achieved five LEED, 17 BEAM, 13 BEAM Plus and four Green Building Design label accreditations for its projects, comprising 14 office and commercial developments, 16 residential developments and one hotel property. During 2014, Henderson Land received many awards for its sustainability achievements. Among these, in the inaugural Ensign Media and Perspective "China Property Awards 2014", the Group was declared "Best Developer" and its projects were voted "Best" in four other categories. The Group's King Wah Road project earned a Merit in the category "Green Building Award 2014" of the Hong Kong Green Building Council and Autodesk HK BIM Awards 2014.

Henderson Land is moving towards passive sustainable design in its projects. This is a relatively new and innovative approach aimed at reducing energy, water and carbon footprints and begins at the planning and design stage, when environmentally beneficial features are incorporated wherever feasible.

Another key focus is the efficient usage of materials to reduce the impact of the Group's operations on the environment. This involves using an environmentally-friendly construction approach, design and material and exploring green alternatives in its projects as well as conserving resources by using renewable or recyclable materials and minimising the generation of waste.

A comprehensive range of energy saving and waste reduction measures is adopted and promoted by Goodwill Management Limited ("Goodwill"), the Group's property management subsidiary, throughout Henderson Land's portfolio of leasing properties, including shopping malls and office buildings. During the year, 56 properties under the Group's other property management subsidiaries, Well Born Real Estate Management Limited ("Well Born") and Hang Yick Properties Management Limited ("Hang Yick"), compiled carbonless reports detailing their energy consumption, 14 obtained Green Organisation Labels and 34 obtained Carbon Reduction Certificates.

Henderson Land continues its ardent support for environmental education and actively participates in industry professional bodies to increase cooperation across the sector. During the year, its many memberships included BEAM Society, Business Environment Council and Hong Kong Green Building Council.

As an employer of choice, Henderson Land has cultivated a caring company culture and invests in its people and their skills. During the year, the Group organised 45 internal training courses for its staff, with total training hours amounting to over 170,000 including internal, external or subsidised training, and examination leave. Employees also have access to and enjoy a wide variety of recreational, leisure and sporting activities.

The Group prioritises the health and safety of every single person linked to its operations. Superior safety measures and training on the Group's sites have ensured accident rates remain well below the industry average.

Henderson Land's community investment activities continue to target the core areas of poverty relief, youth development, environmental education, social enterprise, and art and culture. The Group continues its long-term partnerships with community bodies to create positive change through innovative projects and initiatives.

During the year, Henderson Land initiated, supported or participated in approximately 90 community programmes and 12 volunteer activities forging close collaboration with various NGOs and creating significant social impact for the betterment of the community. Henderson Warmth Volunteer Team dedicated more than 6,000 hours, double their voluntary hours in 2013, benefitting over 1,400 needy individuals. The Team received the "Gold Award for Volunteer Service" again this year from the Volunteer Movement programme of the Social Welfare Department.

Goodwill, Well Born and Hang Yick regularly conduct surveys and seek feedback to ensure they are delivering a satisfactory service to tenants and property owners. During the year, tenants' satisfaction rate with Goodwill's management services was 96%, while the satisfaction rate with Well Born's and Hang Yick's management services recorded by residents was 99.7% and 99.6% respectively overall.

The Group recognises that supply chain management is essential to operational efficiency and works closely with suppliers and contractors to meet its customers' needs in an effective and efficient manner, while emphasising responsible operating practices.

Looking ahead, sustainability and CSR remain at the heart of the Group's operations and Henderson Land's aspiration for the future is to contribute to building a more prosperous and sustainable society by maximising long-term value in terms of its economic performance and the positive social and environmental impacts of its operations.

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2014.

1) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2) Corporate Governance Code

During the year ended 31 December 2014, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in property business, shall continue in his dual capacity as the Chairman and Managing Director.

3) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or organisations. The Company has also requested Directors to provide in timely manner any change on such information. Each Director is also required to disclose to the Company his/her time commitment. The details of the Directors' time commitment are disclosed under the sub-paragraph "Directors' Time Commitments and Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of latest code provision requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

b) Corporate Governance Function

The Corporate Governance Committee as set up in 2012 has undertaken the corporate governance function as required under the CG Code. Details of the Corporate Governance Committee are shown in paragraph 4 "Board Committees" below.

c) Board Composition

The Board currently comprises twenty two members, as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Lee Shau Kee *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Kwong Che Keung, Gordon
Lee Ka Kit *(Vice Chairman)*	Lee Tat Man	Ko Ping Keung
Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Lee Ka Shing *(Vice Chairman)*		Woo Ka Biu, Jackson
Yip Ying Chee, John		Leung Hay Man
Suen Kwok Lam		Poon Chung Kwong
Lee King Yue		Chung Shui Ming, Timpson
Fung Lee Woon King		Au Siu Kee, Alexander
Lau Yum Chuen, Eddie		
Li Ning		
Kwok Ping Ho		
Wong Ho Ming, Augustine		

The biographical details of the Directors are set out on pages 110 to 114 of this Annual Report. Dr Lee Shau Kee is the father of Dr Lee Ka Kit and Mr Lee Ka Shing, father-in-law of Mr Li Ning, and the brother of Mr Lee Tat Man and Madam Fung Lee Woon King. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The Board comprises male and female Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has 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 judgement.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term of not more than three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has also met the requirement of at least one-third of members of the Board being independent non-executive directors.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference and the Company's board diversity policy, and recommendation of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors, including those appointed for a specific term, will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each director was appointed by a letter of appointment setting out the key terms and conditions of his/her appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. The following Independent Non-executive Directors have previous/existing directorships that fall within the independence guideline in Rule 3.13(7) of the Listing Rules among the factors affecting independence:

(i) Mr Leung Hay Man ("Mr Leung") was a Non-executive Director of the Company and Henderson Investment Limited, a subsidiary of the Company, prior to his re-designation as Independent Non-executive Director in August 2012. In view of Mr Leung's previous directorships involving no active management role, the Company considers that Mr Leung's previous directorships have no bearing on his independence.

(ii) Mr Au Siu Kee, Alexander ("Mr Au") is currently the Chairman and a Non-executive Director of Henderson Sunlight Asset Management Limited ("HSAM"), the manager of Sunlight Real Estate Investment Trust ("Sunlight REIT") which is regarded as connected person of the Company. Prior to his re-designation as Independent Non-executive Director in December 2012, Mr Au was a Non-executive Director of the Company. Having regard to his non-executive role in HSAM and the Company, the Company considers that such existing/previous directorships of Mr Au have no bearing on his independence.

e) Board Meetings

i) *Number of Meetings and Directors' Attendance*

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2014, the Board held five meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 89.

During the year, the Non-executive Directors (including Independent Non-executive Directors) held a meeting themselves. In addition, the Chairman held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present in accordance with the CG Code.

ii) *Practices and Conduct of Meetings*

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least 3 days before the Board/committee meetings.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is open for Directors' inspection with copies sent to all Directors for their records.

f) Conflict of Interest

If a director on the issuer level has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

h) Directors' Time Commitments and Trainings

The Company has received confirmation from each Director that he/she had sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify in a timely manner the Company of any change of such information. In respect of those Directors who stand for re-election at the 2015 AGM, all their directorships held in listed public companies in the past three years are set out in the circular of general mandates. Other details of Directors are set out in the biographical details of Directors on pages 110 to 114 of this Annual Report.

During the year, arrangements were made for speakers delivering talks and presentations to Directors of the Company on relevant topics with emphasis on the roles, functions and duties of directors, as well as corporate governance. Talks arranged during the year included the topics of taxation related to properties ("房地產行業稅務更新–增值稅改革的影響及香港稅務最新概況") and overview of Competition Ordinance. Monthly legal and regulatory updates are provided to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information of seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development in 2014 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials.

4) Board Committees

The Board has five Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Corporate Governance Committee for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Ko Ping Keung
Wu King Cheong
Leung Hay Man

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2014. The major work performed by the Audit Committee in respect of the year ended 31 December 2014 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2014, reviewing the audited financial statements and final results announcement for the year ended 31 December 2013, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	**Independent Non-executive Directors**
Lee Shau Kee	Wu King Cheong *(Chairman)*
Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issue of determining executive compensations in public companies. The Board expects the committee members to exercise independent judgement in conducting the business of the committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2014, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increments for 2015 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 155 and 156 while the analysis of the senior management's remuneration by bands is set out on page 157. The director's fees are fixed at the rate of HK$100,000 per annum for each Executive Director/Non-executive Director, HK$200,000 per annum for each Independent Non-executive Director and in case of each Independent Non-executive Director acting as member of (i) the Audit Committee an additional remuneration at the rate of HK$250,000 per annum, (ii) the Nomination Committee an additional remuneration at the rate of HK$50,000 per annum, (iii) the Remuneration Committee an additional remuneration at the rate of HK$50,000 per annum and (iv) the Corporate Governance Committee an additional remuneration at the rate of HK$100,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	**Independent Non-executive Directors**
Lee Shau Kee *(Chairman, in his absence, Ko Ping Keung, acting as Chairman)*	Kwong Che Keung, Gordon
Lam Ko Yin, Colin	Ko Ping Keung
	Wu King Cheong

Each member is sufficiently experienced and is appropriately skilled in the issues of the nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing of the structure, size and composition of the Board with due regards to the board diversity policy and to make recommendation on any proposed changes to the Board to complement the Company's corporate policy. The board diversity policy provides that selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

During the year ended 31 December 2014, the Nomination Committee held three meetings to assess the independence of Independent Non-executive Directors of the Company, review the size and composition of the Board and the board diversity policy and recommend to extend the terms of office of two Independent Non-executive Directors of the Company. After the above review, the Nomination Committee considered that the board diversity policy was appropriate and effective.

d) Corporate Governance Committee

The Corporate Governance Committee which was established in October 2012 comprises:

Independent Non-executive Directors

Chung Shui Ming, Timpson *(Chairman)*
Leung Hay Man
Poon Chung Kwong

Each member is sufficiently experienced and is appropriately skilled in the issues of corporate governance. The Company has provided the Corporate Governance Committee with sufficient resources to perform its duties.

The written terms of reference include the duties of developing and reviewing the Company's policies and practices on corporate governance and monitor such policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee are available on the Company's website.

During the year, the Corporate Governance Committee held a meeting to review the Company's policies and practices on corporate governance and formulated the workplan for the 2014 Corporate Governance Report.

e) Attendance Record at Board Meeting, Committees' Meeting and Annual General Meeting

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and Annual General Meeting during the year ended 31 December 2014 is set out in the following table:

	No. of meetings attended/No. of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Annual General Meeting
Executive Directors:						
Lee Shau Kee *(Chairman and Managing Director)*	4/4[1]	N/A	1/1	3/3	N/A	1/1
Lee Ka Kit	4/4[1]	N/A	N/A	N/A	N/A	1/1
Lam Ko Yin, Colin	5/5	N/A	1/1	3/3	N/A	1/1
Lee Ka Shing	4/4[1]	N/A	N/A	N/A	N/A	1/1
Yip Ying Chee, John	5/5	N/A	N/A	N/A	N/A	1/1
Suen Kwok Lam	5/5	N/A	N/A	N/A	N/A	1/1
Lee King Yue	5/5	N/A	N/A	N/A	N/A	1/1
Fung Lee Woon King	4/4[1]	N/A	N/A	N/A	N/A	1/1
Lau Yum Chuen, Eddie	5/5	N/A	N/A	N/A	N/A	1/1
Li Ning	3/4[1]	N/A	N/A	N/A	N/A	1/1
Kwok Ping Ho	5/5	N/A	N/A	N/A	N/A	1/1
Wong Ho Ming, Augustine	5/5	N/A	N/A	N/A	N/A	1/1
Non-executive Directors:						
Lee Pui Ling, Angelina	5/5	N/A	N/A	N/A	N/A	1/1
Lee Tat Man	4/4[1]	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Kwong Che Keung, Gordon	5/5	3/3	1/1	3/3	N/A	1/1
Ko Ping Keung	5/5	3/3	1/1	3/3	N/A	1/1
Wu King Cheong	5/5	3/3	1/1	3/3	N/A	1/1
Woo Ka Biu, Jackson	5/5	N/A	N/A	N/A	N/A	1/1
Leung Hay Man	5/5	3/3	N/A	N/A	1/1	1/1
Poon Chung Kwong	5/5	N/A	N/A	N/A	1/1	1/1
Chung Shui Ming, Timpson	5/5	N/A	N/A	N/A	1/1	1/1
Au Siu Kee, Alexander	5/5	N/A	N/A	N/A	N/A	1/1

Remark: 1. One board meeting was to consider the connected transactions and continuing connected transactions in which Dr Lee Shau Kee, Dr Lee Ka Kit, Mr Lee Ka Shing, Madam Fung Lee Woon King, Mr Li Ning and Mr Lee Tat Man were deemed to have material interest. The aforesaid directors were not counted to the quorum of such meeting.

5) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on page 118.

6) Auditor's Remuneration

For the year ended 31 December 2014, the Auditor(s) of the Company and its subsidiaries received approximately HK$20.1 million for audit and audit related services (2013: HK$19.4 million) as well as HK$3.7 million for non-audit services (2013: HK$2 million). The non-audit services rendered were to review the financial information in relation to the Group's consolidated interim financial statements for the six months period ended 30 June 2014 as well as tax services, corporate and advisory services and other reporting services.

7) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

8) Continuing Connected Transactions and Connected Transactions

The Independent Non-executive Directors and the Auditor of the Company conducted reviews on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report. The Independent Non-executive Directors would also review those connected transactions that are subject to the announcement requirements under the Listing Rules.

9) Inside Information Policy

The Board approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished Inside Information) of the Group to ensure that the Inside Information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. The Inside Information Policy has been posted on the Company's website.

10) Corporate Social Responsibility

The Company is a founding constituent member of the Hang Seng Corporate Sustainability Index Series launched in July 2010.

A Corporate Social Responsibility Committee, chaired by a Vice-chairman with certain directors and department heads as members, was formed in 2012 to assist the Board in reviewing corporate social responsibility policies and overseeing relevant issues including workplace quality, environmental protection, operating practices and community involvement. The Corporate Social Responsibility Policy and the terms of reference of the Corporate Social Responsibility Committee have been adopted and posted on the Company's website.

During the year, the Corporate Social Responsibility Committee held a meeting to review the corporate social responsibility policies and performance as well as formulate the strategies for the coming year. The first standalone Sustainability and CSR Report is to be published on the same date of this Annual Report and posted on the Company's website.

11) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' interests and the Company's assets.

The internal audit department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year, the Board has reviewed, through the Audit Committee, and considered that the Group's internal control systems are effective. It is also considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate.

In addition, an email link was set up in the webpage of the intranet of the Company for employees to express their opinion or concern about the Group's operations directly to the Vice Chairman.

12) Company Secretary

The company secretary is to support the Board by ensuring that there is good information flow and the board policy and procedures are strictly followed. The company secretary is responsible for advising the Board on governance matters and also facilitating the induction and professional development of Directors.

During the year, the company secretary has taken no less than 15 hours of relevant professional training.

13) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the business day following the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholder(s) making it, in a hard copy form or in electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com.

Shareholders may make enquiries to the Board by contacting the Company either through the Company Investor Relations on telephone number 2908 8392 or email at ir@hld.com or directly by raising questions at general meetings.

The Company has also maintained a Shareholders' Communication Policy to handle enquiries put to the Board and contact details have been provided so as to enable such enquiries be properly directed. The Shareholders' Communication Policy is available on the Company's website.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at http://www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance code and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, construction, infrastructure, hotel operation, finance, department store operation, project management, investment holding and property management.

An analysis of the Group's turnover and contribution from operations by business and geographical segments, is set out in note 16 to the financial statements on pages 166 to 171.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2014 are set out on pages 204 to 211.

Group Profit

The profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 119 to 213.

Dividends

An interim dividend of HK$0.34 per share was paid on 21 October 2014. The Directors have recommended the payment of a final dividend of HK$0.76 per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015, and such final dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend and bonus shares, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to Shareholders on or about Monday, 15 June 2015.

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

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

Issue of Bonus Shares

The Board of Directors proposes to make a bonus issue of one new share for every ten shares held (2013: one bonus share for every ten shares held) to shareholders whose names appear on the Register of Members on Wednesday, 10 June 2015. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Thursday, 9 July 2015.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$71,000,000 (2013: HK$53,000,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 17 to the financial statements on pages 172 to 176.

Bank Loans and Overdrafts, Guaranteed Notes and Medium Term Note Programme

Particulars of bank loans and overdrafts, Guaranteed Notes and Medium Term Note Programme of the Company and the Group as at 31 December 2014 are set out in notes 30 and 31 to the financial statements on pages 190 to 192, respectively.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2014 is set out in note 8(a) to the financial statements on page 153.

Reserves

Particulars of the movements in reserves during the year ended 31 December 2014 are set out in note 33 to the financial statements on pages 193 to 196.

Share Capital

During the year, the Company issued 269,899,614 bonus shares on the basis of one share for every ten shares held, 31,037,724 shares in lieu of the 2013 final cash dividend at a market value of HK$46.46 per share and 405,722 shares in lieu of the 2014 interim cash dividends at a market value of HK$55.79 per share.

Details of the Company's share capital are set out in note 33(b) to the financial statements on pages 194 and 195.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2014 are summarised on pages 78 and 79.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 40 to 63.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Hong Kong Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 9 to the financial statements on pages 155 and 156.

Directors

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Dr Lee Shau Kee *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Kwong Che Keung, Gordon
Dr Lee Ka Kit *(Vice Chairman)*	Lee Tat Man	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Lee Ka Shing *(Vice Chairman)*		Woo Ka Biu, Jackson
Yip Ying Chee, John		Leung Hay Man
Suen Kwok Lam		Professor Poon Chung Kwong
Lee King Yue		Dr Chung Shui Ming, Timpson
Fung Lee Woon King		Au Siu Kee, Alexander
Lau Yum Chuen, Eddie		
Li Ning		
Kwok Ping Ho		
Wong Ho Ming, Augustine		

Dr Lee Shau Kee, Dr Lam Ko Yin, Colin, Mr Yip Ying Chee, John, Mr Li Ning, Mr Woo Ka Biu, Jackson, Mr Leung Hay Man and Mr Au Siu Kee, Alexander shall retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Corporate Governance Code and with the exception of Mr Li Ning and Mr Au Siu Kee, Alexander, being eligible, offer themselves for re-election.

Mr Li Ning and Mr Au Siu Kee, Alexander have not offered themselves for re-election and will retire from the Board at the conclusion of the forthcoming annual general meeting.

Disclosure of Interests

Directors' Interests in Shares

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

Ordinary Shares (unless otherwise specified)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	9,654,499		2,069,542,665		2,079,197,164	69.30
	Lee Ka Kit	1				2,068,405,010	2,068,405,010	68.94
	Lee Ka Shing	1				2,068,405,010	2,068,405,010	68.94
	Li Ning	1		2,068,405,010			2,068,405,010	68.94
	Au Siu Kee, Alexander	2				74,320	74,320	0.00
	Lee Tat Man	3	136,788				136,788	0.00
	Lee Pui Ling, Angelina	4	39,269				39,269	0.00
	Lee King Yue	5	330,133		25,910		356,043	0.01
	Fung Lee Woon King	6	1,548,043				1,548,043	0.05
	Woo Ka Biu, Jackson	7		2,420			2,420	0.00
	Chung Shui Ming, Timpson	8	60,500				60,500	0.00
Henderson Investment Limited	Lee Shau Kee	9			2,115,274,943		2,115,274,943	69.41
	Lee Ka Kit	9				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	9				2,110,868,943	2,110,868,943	69.27
	Li Ning	9		2,110,868,943			2,110,868,943	69.27
	Lee Tat Man	10	6,666				6,666	0.00
	Lee King Yue	11	1,001,739				1,001,739	0.03
The Hong Kong and China Gas Company Limited	Lee Shau Kee	12			4,364,016,823		4,364,016,823	41.51
	Lee Ka Kit	12				4,364,016,823	4,364,016,823	41.51
	Lee Ka Shing	12				4,364,016,823	4,364,016,823	41.51
	Li Ning	12		4,364,016,823			4,364,016,823	41.51
	Au Siu Kee, Alexander	13		97,437			97,437	0.00
	Poon Chung Kwong	14				136,906	136,906	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	15	799,220		118,732,090		119,531,310	33.55
	Lee Ka Kit	15				118,732,090	118,732,090	33.33
	Lee Ka Shing	15				118,732,090	118,732,090	33.33
	Li Ning	15		118,732,090			118,732,090	33.33
	Lam Ko Yin, Colin	16	150,000				150,000	0.04
	Fung Lee Woon King	17	465,100				465,100	0.13
	Leung Hay Man	18	2,250				2,250	0.00
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	19			260,239,250		260,239,250	45.08
	Lee Ka Kit	19				260,239,250	260,239,250	45.08
	Lee Ka Shing	19				260,239,250	260,239,250	45.08
	Li Ning	19		260,239,250			260,239,250	45.08
Towngas China Company Limited	Lee Shau Kee	20			1,642,489,654		1,642,489,654	62.39
	Lee Ka Kit	20				1,642,489,654	1,642,489,654	62.39
	Lee Ka Shing	20				1,642,489,654	1,642,489,654	62.39
	Li Ning	20		1,642,489,654			1,642,489,654	62.39

Ordinary Shares (unless otherwise specified) (continued)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	21			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	22			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	23	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	21				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	22				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	23				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	21				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	22				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	23				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	21		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	22		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	23		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (unless otherwise specified) (continued)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	24			26,000		26,000	100.00
	Lee Ka Kit	24				26,000	26,000	100.00
	Lee Ka Shing	24				26,000	26,000	100.00
	Li Ning	24		26,000			26,000	100.00
Feswin Investment Limited	Lee Ka Kit	25			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	26	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	27			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	28			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	28				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	28				1 (B Share)	1 (B Share)	100.00
	Li Ning	27		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	28		1 (B Share)			1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	29	50				50	5.00
Heyield Estate Limited	Lee Shau Kee	30			100		100	100.00
	Lee Ka Kit	30				100	100	100.00
	Lee Ka Shing	30				100	100	100.00
	Li Ning	30		100			100	100.00

Ordinary Shares (unless otherwise specified) (continued)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Perfect Bright Properties Inc.	Lee Shau Kee	31			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	32			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	31				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	32				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	31				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	32				1 (B Share)	1 (B Share)	100.00
	Li Ning	31		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	32		1 (B Share)			1 (B Share)	100.00

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2014 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 31 December 2014, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	2,068,405,010	68.94
Riddick (Cayman) Limited (Note 1)	2,068,405,010	68.94
Hopkins (Cayman) Limited (Note 1)	2,068,405,010	68.94
Henderson Development Limited (Note 1)	2,066,590,647	68.88
Yamina Investment Limited (Note 1)	981,223,325	32.70
Believegood Limited (Note 1)	495,425,632	16.51
South Base Limited (Note 1)	495,425,632	16.51
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	230,452,102	7.68
Richbond Investment Limited (Note 1)	181,419,512	6.05
Silchester International Investors LLP (Note 33)	135,227,536	5.01

Notes:

1. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 9,654,499 shares, and for the remaining 2,069,542,665 shares, (i) 897,168,664 shares were owned by Henderson Development Limited ("HD"); (ii) 181,419,512 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 230,452,102 shares were owned by Cameron Enterprise Inc.; 495,425,632 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 94,937,415 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 87,358,640 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 73,049,536 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 6,779,146 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.51% held by Henderson Land Development Company Limited ("HL") which in turn was 68.88% held by HD; (v) 1,814,363 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 774,618 shares and 363,037 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 15. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

2. *These shares were owned by Mr Au Siu Kee, Alexander and his wife jointly.*

3. *Mr Lee Tat Man was the beneficial owner of these shares.*

4. *Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.*

5. *Of these shares, Mr Lee King Yue was the beneficial owner of 330,133 shares, and the remaining 25,910 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr Lee King Yue and his wife.*

6. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

7. *These shares were owned by the wife of Mr Woo Ka Biu, Jackson.*

8. *Dr Chung Shui Ming, Timpson was the beneficial owner of these shares.*

9. *Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both of which were wholly-owned subsidiaries of HKF in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 15. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

10. *Mr Lee Tat Man was the beneficial owner of these shares.*

11. *Mr Lee King Yue was the beneficial owner of these shares.*

12. *Of these shares, 2,429,459,749 shares and 943,617,534 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 990,939,540 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

13. *These shares were owned by the wife of Mr Au Siu Kee, Alexander.*

14. *These shares were owned by Professor Poon Chung Kwong and his wife jointly.*

15. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 118,732,090 shares, 48,532,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and HKF by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

16. *Dr Lam Ko Yin, Colin was the beneficial owner of these shares.*

17. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

18. *Mr Leung Hay Man was the beneficial owner of these shares.*

19. *Of these shares, 100,612,750 shares, 79,121,500 shares and 80,505,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

20. *These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 12 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

21. *These shares were held by Hopkins as trustee of the Unit Trust.*

22. *These shares were held by Hopkins as trustee of the Unit Trust.*

23. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

24. *Of these shares, (i) 10,400 shares were owned by HL; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by HD.*

25. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HL.*

26. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

27. *These shares were owned by Jetwin International Limited.*

28. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

29. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

30. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr Li Ning was taken to be interested in such shares by virtue of the SFO.*

31. *These shares were owned by Jetwin International Limited.*

32. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

33. *These shares were held by Silchester International Investors LLP as investment manager and the percentage of such shares was based on the then issued 2,698,996,140 shares of HL as at the reporting date under SFO.*

Interests in Contracts and Continuing Connected Transactions

During the year under review, the Group entered into the following transactions and arrangements as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

(1) (i) Henderson Finance Company Limited made advances from time to time to Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks or Renminbi benchmark loan rates announced by the People's Bank of China (where appropriate) plus a margin. As at 31 December 2014, the amounts of approximately HK$4,870 million, HK$26 million and HK$125 million were due by Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the financial statements under "Amount due to a fellow subsidiary".

(ii) Agreements for the management and construction of the properties of certain owner companies (the "Owner Companies") indirectly controlled by the private trust of the family of Dr Lee Shau Kee entered into by the Owner Companies (including the Henderson Development Limited group) with Henderson Real Estate Agency Limited and the subsidiaries of E Man Construction Company Limited, wholly-owned subsidiaries of the Company, still subsisted at the year end date.

Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's ultimate holding company, Henderson Development Limited.

(2) As at 31 December 2014, Dr Lee Ka Kit, through companies owned or controlled by him, had interest in a company in which Henderson China Holdings Limited ("Henderson China") was interested and through which Henderson China held interests in project. Dr Lee had 50 per cent interest in Feswin Investment Limited holding Lot 470 of Wanping Road South, Shanghai, the PRC with the remaining interests owned by members of the Henderson China Group. Dr Lee Ka Kit is a Director of the Company.

Dr Lee Ka Kit agreed to provide and had provided finance in the form of advances to these companies in proportion to his equity interests in these companies. An agreement entered into between Henderson China and Dr Lee Ka Kit on 15 March 1996 provided that all existing and future advances made by Henderson China and Dr Lee Ka Kit to these companies would be unsecured, on the same basis and at the same interest rate or without interest. As at 31 December 2014, such advances made by Dr Lee Ka Kit to the Henderson China Group's associate amounted to approximately HK$80 million and from 1 January 2003 to 31 December 2014, no interest on the advances made by Dr Lee Ka Kit was charged.

(3) During the year ended 31 December 2014, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

Drinkwater Investment Limited
Feswin Investment Limited
Great Project Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Lane Success Development Limited
Solar Classics Limited

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances made by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest.

(4) The Company had the following continuing connected transactions/connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(i) Sunlight Real Estate Investment Trust ("Sunlight REIT") was regarded by the Hong Kong Stock Exchange as a connected person of the Company under the Listing Rules so long as the aggregate percentage unitholdings in Sunlight REIT of the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr Lee Shau Kee, the Chairman and Managing Director of the Company) being above 30%.

As disclosed in the announcement dated 25 June 2012, new annual cap amounts in respect of each of the financial years ending up to 31 December 2015 were set for the continuing connected transactions between the Group and Sunlight REIT group contemplated under the following agreements/deeds, and a second supplemental agreement (the "Second Supplemental Agreement") was made to extend the term of appointment of Henderson Sunlight Property Management Limited (the "Property Manager"):

(a) a property management agreement dated 29 November 2006 (as supplemented by a supplemental agreement dated 28 April 2009, and further supplemented by the Second Supplemental Agreement) was entered into between Henderson Sunlight Asset Management Limited ("HSAM") and the Property Manager (and property holding companies under the Sunlight REIT group had also subsequently acceded to the said agreement) relating to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT at a fee of 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT for property and lease management services together with a commission as calculated on the base rent or licence fee for a tenancy or a licence secured. By the Second Supplemental Agreement entered into by HSAM and the Property Manager, the term of the appointment of the Property Manager for the provision of the said property related management services has been extended (the "Property Management Transactions") up to 30 June 2015;

(b) a trust deed dated 26 May 2006 (as supplemented by supplemental deeds dated 1 June 2006, 28 November 2006, 28 April 2009, 23 July 2010 and 30 April 2012 respectively) was entered into between Uplite Limited as settlor, a subsidiary of SKFE Group, HSAM as manager and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of Sunlight REIT units and/or cash. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement (the "Asset Management Transactions");

(c) agreement(s) as amended and supplemented on various dates were entered into between the Property Manager and Megastrength Security Services Company Limited ("Megastrength"), the Group's subsidiary in respect of the provision of security and related services for property(ies) of the Sunlight REIT at a typical fixed monthly service fee payable to Megastrength subject to change corresponding to any increased level of service (the "Security Services Transactions"); and

(d) agreements or arrangements to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services for the properties of Sunlight REIT (the "Other Ancillary Property Services Transactions").

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions would not exceed the following:

Financial year ended 31 December 2012 (HK$ million)	Financial year ended 31 December 2013 (HK$ million)	Financial year ended 31 December 2014 (HK$ million)	Financial year ending 31 December 2015 (HK$ million)
140	140	152	167

For the year ended 31 December 2014, the Group received HK$48,495,000 for the Property Management Transactions, HK$80,650,000 for the Asset Management Transactions and HK$2,376,000 for the Security Services Transactions which in aggregate amounted to HK$131,521,000; while no fee was received for the Other Ancillary Property Services Transactions (collectively "Sunlight REIT Transactions").

(ii) As disclosed in the announcement dated 20 June 2014, (a) the Group entered into a conditional sale and purchase agreement with Sunlight REIT group whereby the Group agreed to sell the entire interest in a Grade A office building situated at No. 712, Prince Edward Road East, Kowloon, Hong Kong to Sunlight REIT at a consideration of HK$1,960,000,000; and (b) a wholly-owned subsidiary of the Company (the "Subscriber") entered into a conditional unit subscription agreement with HSAM, under which the Subscriber agreed to subscribe for 201,025,641 subscription units at the subscription price of HK$3.90 per unit. The aforesaid disposal and subscription were not approved by the independent unitholders of Sunlight REIT at the extraordinary general meeting held on 15 August 2014. Accordingly, such transactions did not proceed. As a result, the relevant revised annual caps for the continuing connected transactions with the Sunligh REIT had not taken effect.

A committee of Independent Non-executive Directors of the Company has reviewed and confirmed that the Sunlight REIT Transactions are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the terms of the respective agreements/deeds relating to the transactions in question and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that nothing has come to the Auditor's attention that causes it to believe that that the Sunlight REIT Transactions (a) have not been received the approval of the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into in accordance with the relevant agreements governing such transactions, in all material respects; and (d) have exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a signed copy of the said letter to the Hong Kong Stock Exchange.

(5) The material related party transactions set out in note 38 to the financial statements on pages 201 to 203 include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended and as at 31 December 2014 were as follows:

Dr Lee Shau Kee, the Chairman of the Company, and Dr Lee Ka Kit, Mr Lee Ka Shing and Mr Li Ning, Directors of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group were involved in the investment, development and management of properties of different types and/or in different locations, and the Group has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

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

Except for the issue of shares regarding the scrip dividend schemes and bonus shares, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

Major Customers and Suppliers

For the year ended 31 December 2014:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchase; and

(2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

Management Discussion and Analysis

A management discussion and analysis of the Group's results for the year ended 31 December 2014 is shown on pages 66 to 77.

Sustainability and Corporate Social Responsibility

The first standalone Sustainability and CSR Report is to be published on the same date of this Annual Report and posted on the Company's website.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. There were no forfeited contributions of the Scheme utilised during the year ended 31 December 2014 (2013: Nil). As at 31 December 2014, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (2013: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the year ended 31 December 2014 was HK$1,500,000 (2013: HK$1,600,000) and there was no balance available to be utilised as at 31 December 2014 (2013: HK$1,000).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 31 December 2014 were HK$87,000,000 (2013: HK$79,000,000).

Revolving Credit Agreement with Covenants of the Controlling Shareholders

Wholly-owned subsidiaries of the Company, as borrowers, have respectively obtained a 5-year term loan and revolving credit facilities of up to HK$13,250,000,000 in 2010, a 5-year term loan and revolving credit facilities of up to HK$10,000,000,000 in June 2011 and a 4-year term loan, 5-year term loan and revolving credit facilities of up to HK$13,800,000,000 in January 2014 from groups of syndicate of banks under separate guarantees given by the Company.

In connection with each of the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding (if any) under the respective credit facilities may become due and payable on demand.

Public Float

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

Auditor

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

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 82 to 92.

On behalf of the Board

Lee Shau Kee
Chairman

Hong Kong, 23 March 2015

Biographical Details of Directors and Senior Management

Executive Directors

Dr the Hon LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 86, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 55 years. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Investment Limited, the chairman of The Hong Kong and China Gas Company Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He previously served as an independent non-executive director of The Bank of East Asia, Limited, a listed company, until his resignation on 24 April 2013. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Dr Lee Ka Kit and Mr Lee Ka Shing and the father-in-law of Mr Li Ning.

Dr LEE Ka Kit, *JP, DBA (Hon)*, aged 51, a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. Dr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and The Bank of East Asia, Limited, all of which are listed companies. He previously served as a non-executive director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited), a listed company, until his retirement on 31 May 2013. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. He was awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. Dr Lee is a director of Henderson Development which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

Dr LAM Ko Yin, Colin, *FCILT, FHKIoD, DB (Hon)*, aged 63, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. He holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 41 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 43, a Committee Member of the 12th Beijing Committee, and previously a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited, chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is a member of The Court of The Hong Kong Polytechnic University. Mr Lee is a director of Henderson Development, Believegood Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

YIP Ying Chee, John, *LLB, FCIS*, aged 66, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 35 years' experience in corporate finance, and corporate and investment management.

SUEN Kwok Lam, *JP, MH, FHIREA*, aged 68, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He is the Vice President of Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He was the President of Hong Kong Association of Property Management Companies from 2003 to 2007. He has over 40 years' experience in property management. He was awarded the Medal of Honour in 2005 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively.

LEE King Yue, aged 88, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 55 years. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 11 June 2012. Mr Lee is a director of Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

FUNG LEE Woon King, aged 76, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

LAU Yum Chuen, Eddie, aged 68, has been an Executive Director of the Company since 1987. He has over 45 years' experience in banking, finance and investment. Mr Lau is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, both of which are listed companies.

LI Ning, *BSc, MBA*, aged 58, has been an Executive Director of the Company since 1992. He has been appointed an Executive Director of Henderson Investment Limited since December 2014. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 25 years' experience in the department store business. He also set up and oversees the hotel business of the Group. Mr Li is also an executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. He previously served as an Independent non-executive director of Glencore International plc, a listed company, until his resignation on 2 May 2013. He is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret, the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

KWOK Ping Ho, *BSc, MSc, Post-Graduate Diploma in Surveying, ACIB*, aged 62, joined the Company in 1987 and has been an Executive Director since 1993. He holds a B.Sc. (Engineering) degree, an M.Sc. (Administrative Sciences) degree and a Post-Graduate Diploma in Surveying (Real Estate Development). Mr Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 11 June 2012. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Mr Kwok is also an Honorary Professor in the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)*, aged 54, joined the Company in 1996 and has been an Executive Director of the Company since September 2010. He is presently the General Manager of Property Development Department as well. Mr Wong previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 11 June 2012. He is a registered professional surveyor and has over 30 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

Non-executive Directors

LEE Pui Ling, Angelina, *SBS, JP, LLB, FCA*, aged 66, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo, Kwan, Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee is active in public service and is currently a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She is also a non-executive director of Cheung Kong Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies. Mrs Lee was previously a Non-executive Director of the Mandatory Provident Fund Schemes Authority and the Securities and Futures Commission.

LEE Tat Man, aged 77, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 35 years and is also an executive director of Henderson Investment Limited, a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 65, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited and OP Financial Investments Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Quam Limited until 6 September 2012 and China Chengtong Development Group Limited until 1 November 2013.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 64, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, a listed company.

WU King Cheong, *BBS, JP*, aged 64, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies.

WOO Ka Biu, Jackson, *MA (Oxon)*, aged 52, has been an Independent Non-executive Director of the Company since 1 March 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People's Republic of China and a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of the Company. Mr Woo's corresponding alternate directorship ceased at the same time when Sir Po-shing Woo resigned from the Board of the Company on 29 February 2012. He is a director of Kailey Group of Companies, the Chief Executive Officer of Challenge Capital Management Limited, Chairman (International) of Guantao Law Firm and a consultant of its associated firm, Messrs. Peter C. Wong, Chow & Chow. He is also an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of Sun Hung Kai Properties Limited, as well as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., both of which are listed companies. He is the son of Sir Po-shing Woo.

LEUNG Hay Man, *FRICS, FCIArb, FHKIS*, aged 80, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. On 22 August 2012, Mr Leung was re-designated as Independent Non-executive Director of the Company. He is also a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr Leung is a Chartered Surveyor. He is also an independent non-executive director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies.

Professor POON Chung Kwong, *GBS, JP, PhD, DSc*, aged 75, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 25 October 2012. Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology and University of Southern California. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989 and received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002 by the Government of the Hong Kong Special Administrative Region, and the "Leader of the Year Awards 2008 (Education)". In addition, Professor Poon was appointed a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998 – 2013). Professor Poon is the Honorary Professor of a number of top-rated universities in the mainland China. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of The Hong Kong and China Gas Company Limited, an associated company of the Company, Hopewell Highway Infrastructure Limited, K.Wah International Holdings Limited and Chevalier International Holdings Limited, all of which are listed companies.

Dr CHUNG Shui Ming, Timpson, *GBS, JP, DSSc (Hon)*, aged 63, has been an Independent Non-executive Director of the Company since 8 November 2012 and is the Chairman of the Corporate Governance Committee of the Company. Dr Chung obtained a Bachelor's degree in science from the University of Hong Kong and a Master's degree in business administration from the Chinese University of Hong Kong, and was awarded a Doctor of Social Sciences honoris causa by the City University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He is a member of the National Committee of the 10th, 11th and 12th Chinese People's Political Consultative Conference. Formerly, Dr Chung was the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. Dr Chung is an independent non-executive director of Miramar Hotel and Investment Company, Limited, an associated company of the Company, China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, China Everbright Limited, China Overseas Grand Oceans Group Limited, China Construction Bank Corporation and Jinmao Investments and Jinmao (China) Investments Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Dr Chung is also an independent director of China State Construction Engineering Corporation Limited, listed on the Shanghai Stock Exchange. He was previously an independent director of China Everbright Bank Company Limited (listed on the Shanghai Stock Exchange). He previously served as an independent non-executive director of Nine Dragons Paper (Holdings) Limited, a listed company, until his retirement on 3 March 2013.

AU Siu Kee, Alexander, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 68. Mr Au was an Executive Director and the Chief Financial Officer of the Company from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of the Company. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Mr Au previously served as an independent non-executive director of Wheelock and Company Limited, a listed company until 22 October 2012. Currently Mr Au is an independent non-executive director of The Wharf (Holdings) Limited, a listed company. Within the Henderson Land Group, he is a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are listed companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Senior Management

YU Wai Wai, *JP, BA (AS), B Arch, HKIA, HonFHKIPM, Registered Architect (HK), Authorized Person (Architect)*, aged 54, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). He has over 29 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments. Mr Yu was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013. Mr Yu is the Chairman of Zero Carbon Building Limited of Construction Industry Council and was appointed as the Chairman of Professional Development Committee of the Estate Agents Authority in 2014. Prior to joining the company, he was an Executive Director of Sino Land Company Limited, a listed company. He was a council member of Construction Industry Council.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification*, aged 61, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 36 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, FRICS, RPS (GP)*, aged 61, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He holds a Master of Science degree in International Real Estate and a Postgraduate Diploma in Management Studies. He is a Fellow Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and is also a Registered Professional Surveyor. He has over 38 years' experience in land and property development. Prior to joining the Company, Mr Leung held a Chief Estate Surveyor post in the Lands Department of the Hong Kong Government and had over 20 years' experience in government land disposal, land exchange, lease modification and premium assessment. He is currently serving on several government advisory committees.

WONG Wing Hoo, Billy, *BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE*, aged 57, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2014 by the Government of the Hong Kong Special Administrative Region respectively. He previously served as President of Hong Kong Construction Association, Chairman of Construction Industry Training Authority and Chairman of Construction Industry Training Board. Mr Wong is currently a Director of Hong Kong Science & Technology Parks Corporation and Permanent Supervisor of Hong Kong Construction Association.

CHENG Yuk Lun, Stephen, *BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE, Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification*, aged 66, joined the Company in 1994 and is presently the Senior General Manager of the Engineering Department. He is a member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, and the Institution of Structural Engineers. He has over 35 years of professional experience in structural, civil, and geotechnical engineering.

WONG Man Wa, Raymond, *LLB., PCLL, Solicitor*, aged 49, joined the Company in December 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently a member of the Property Committee of The Law Society of Hong Kong. He is also an individual member of The Real Estate Developers Association of Hong Kong. He holds a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

LAM Tat Man, Thomas, *MEM(UTS), DMS, EHKIM, MHIREA, CHINA GBL MANAGER*, aged 55, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 31 years' experience in property sales and marketing.

HAHN Ka Fai, Mark, *BSc, MRICS, MHKIS, RPS (GP)*, aged 51, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 28 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he was a founding Director of CY Leung & Co (now DTZ), Associate Director at Sino Land and Executive Director, Asia/Managing Director, Development at Grosvenor.

CHOI Ngai Min, Michael, *JP*, aged 57, joined the Company in 2013 and is presently the Incharge of China sales and land acquisition. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 34 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Mr Choi was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2005. Currently, he is a member of the Hong Kong Housing Authority, the Chairman of the Commercial Properties Committee of the Hong Kong Housing Authority, the Vice President of The Hong Kong Real Property Federation Limited and the Vice President of the Hong Kong Institute of Real Estate Administrators.

LEE Pui Man, Margaret, *BHum (Hons)*, aged 54, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 30 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning, the sister of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

SIT Pak Wing, *ACIS*, *FHIREA*, aged 67, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 35 years' experience in marketing development, leasing and property management.

Dr WONG Kim Wing, Ball, *BA (AS)*, *B. Arch*, *PhD (Finance)*, *FHKIA*, *Registered Architect (HK)*, *Authorized Person (List 1, HK)*, aged 53, joined the Company in 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the Director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

LIU Cheung Yuen, Timon, *BEc*, *FCPA*, *CA (Aust)*, *FCS*, *FCIS*, aged 57, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ)*, *FCA*, aged 52, joined the Company in June 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 25 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

NGAN Suet Fong, Bonnie, *BBA*, aged 57, joined the Company in January 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 30 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the General Manager, Corporate Communications and Public Relations of Hong Kong Tourism Board.

Financial Statements

Report of the Independent Auditor

Independent auditor's report to the shareholders of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Henderson Land Development Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 119 to 213, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 to 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 judgement, 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 31 December 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

23 March 2015

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014

	Note	**2014 HK$ million**	2013 HK$ million
Turnover	5	**23,371**	23,289
Direct costs		**(14,168)**	(14,508)
		9,203	8,781
Other revenue	6	**560**	522
Other net income	7	**405**	8
Selling and marketing expenses		**(1,192)**	(1,255)
Administrative expenses		**(2,020)**	(1,931)
Profit from operations before changes in fair value of investment properties and investment properties under development		**6,956**	6,125
Increase in fair value of investment properties and investment properties under development	17(a)	**5,538**	6,345
Profit from operations after changes in fair value of investment properties and investment properties under development		**12,494**	12,470
Finance costs	8(a)	**(859)**	(957)
Share of profits less losses of associates		**4,181**	3,669
Share of profits less losses of joint ventures		**2,657**	2,613
Profit before taxation	8	**18,473**	17,795
Income tax	11(a)	**(1,533)**	(1,739)
Profit for the year		**16,940**	16,056
Attributable to:			
Equity shareholders of the Company		**16,752**	15,948
Non-controlling interests		**188**	108
Profit for the year		**16,940**	16,056
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*15(a)*	***HK$5.62***	*HK$5.43**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*15(b)*	***HK$3.11***	*HK$3.04**

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

The notes on pages 126 to 213 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	Note	**2014 HK$ million**	2013 HK$ million
Profit for the year		**16,940**	16,056
Other comprehensive income for the year			
(after tax and reclassification adjustments):	14		
Items that will not be reclassified to profit or loss:			
– Share of other comprehensive income of associates and joint ventures		**(27)**	45
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences: net movement in the exchange reserve		**(248)**	1,491
– Cash flow hedges: net movement in the hedging reserve		**(342)**	1,214
– Available-for-sale equity securities:			
net movement in the fair value reserve		**133**	(151)
– Share of other comprehensive income of associates and joint ventures		**(302)**	335
Other comprehensive income for the year		**(786)**	2,934
Total comprehensive income for the year		**16,154**	18,990
Attributable to:			
Equity shareholders of the Company		**15,969**	18,863
Non-controlling interests		**185**	127
Total comprehensive income for the year		**16,154**	18,990

The notes on pages 126 to 213 form part of these financial statements.

Balance Sheets

at 31 December 2014

	Note	The Group		The Company	
		At 31 December 2014 HK$ million	At 31 December 2013 HK$ million	**At 31 December 2014 HK$ million**	At 31 December 2013 HK$ million
Non-current assets					
Fixed assets	17	**119,705**	108,872	**–**	–
Intangible operating right	18	**361**	394	**–**	–
Interest in subsidiaries	19	**–**	–	**148,734**	141,386
Interest in associates	20	**50,146**	48,108	**93**	99
Interest in joint ventures	21	**32,365**	31,046	**123**	113
Derivative financial instruments	22	**318**	409	**–**	–
Other financial assets	23	**7,423**	5,614	**–**	–
Deferred tax assets	11(c)	**556**	523	**–**	–
		210,874	194,966	**148,950**	141,598
Current assets					
Deposits for acquisition of properties	24	**5,463**	5,604	**–**	–
Inventories	25	**80,101**	80,233	**–**	–
Trade and other receivables	26	**8,520**	7,453	**67**	67
Cash held by stakeholders		**1,719**	1,943	**–**	–
Cash and bank balances	28	**10,303**	13,915	**1**	1
		106,106	109,148	**68**	68
Current liabilities					
Trade and other payables	29	**17,304**	15,890	**25,931**	22,561
Bank loans and overdrafts	30	**13,590**	5,514	**–**	–
Guaranteed notes	31	**–**	1,904	**–**	–
Amount due to a fellow subsidiary	32	**409**	1,261	**–**	–
Tax payable		**937**	850	**–**	–
		32,240	25,419	**25,931**	22,561
Net current assets/(liabilities)		**73,866**	83,729	**(25,863)**	(22,493)
Total assets less current liabilities		**284,740**	278,695	**123,087**	119,105

Balance Sheets

at 31 December 2014

	Note	The Group		The Company	
		At 31 December 2014 HK$ million	At 31 December 2013 HK$ million	**At 31 December 2014 HK$ million**	At 31 December 2013 HK$ million
Non-current liabilities					
Bank loans	30	**12,968**	23,058	**–**	–
Guaranteed notes	31	**16,144**	16,309	**–**	–
Amount due to a fellow subsidiary	32	**4,612**	4,213	**–**	–
Derivative financial instruments	22	**1,473**	959	**–**	–
Deferred tax liabilities	11(c)	**6,326**	6,156	**–**	–
		41,523	50,695	**–**	–
NET ASSETS		**243,217**	228,000	**123,087**	119,105
CAPITAL AND RESERVES	33				
Share capital: nominal value		**–**	5,398	**–**	5,398
Other statutory capital reserves		**–**	45,147	**–**	45,147
Share capital and other statutory capital reserves	33(b)	**52,010**	50,545	**52,010**	50,545
Other reserves		**186,140**	172,857	**71,077**	68,560
Total equity attributable to equity shareholders of the Company		**238,150**	223,402	**123,087**	119,105
Non-controlling interests		**5,067**	4,598	**–**	–
TOTAL EQUITY		**243,217**	228,000	**123,087**	119,105

Approved and authorised for issue by the Board of Directors on 23 March 2015.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 126 to 213 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2013		4,830	43,706	20	16	6,615	571	(1,240)	52	150,593	205,163	4,689	209,852
Changes in equity for 2013:													
Profit for the year		–	–	–	–	–	–	–	–	15,948	15,948	108	16,056
Other comprehensive income for the year	14(c)	–	–	–	–	1,821	(225)	1,270	4	45	2,915	19	2,934
Total comprehensive income for the year		–	–	–	–	1,821	(225)	1,270	4	15,993	18,863	127	18,990
Transfer to other reserves		–	–	–	–	–	–	–	8	(8)	–	–	–
Shares issued in respect of scrip dividends	33(b)	86	1,903	–	–	–	–	–	–	–	1,989	–	1,989
Bonus shares issued	33(b)	482	(482)	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	13(b)	–	–	–	–	–	–	–	–	(1,787)	(1,787)	–	(1,787)
Dividend declared and paid in respect of the current year	13(a)	–	–	–	–	–	–	–	–	(859)	(859)	–	(859)
Share of associates' reserves		–	–	–	–	–	–	–	(65)	98	33	–	33
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(40)	(40)
Increase in shareholding in a subsidiary		–	–	–	–	–	–	–	–	–	–	(19)	(19)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	(159)	(159)
Balance at 31 December 2013		5,398	45,127	20	16	8,436	346	30	(1)	164,030	223,402	4,598	228,000
Balance at 1 January 2014		**5,398**	**45,127**	**20**	**16**	**8,436**	**346**	**30**	**(1)**	**164,030**	**223,402**	**4,598**	**228,000**
Changes in equity for 2014:													
Profit for the year		–	–	–	–	–	–	–	–	**16,752**	**16,752**	**188**	**16,940**
Other comprehensive income for the year	14(c)	–	–	–	–	**(552)**	**169**	**(373)**	–	**(27)**	**(783)**	**(3)**	**(786)**
Total comprehensive income for the year		–	–	–	–	**(552)**	**169**	**(373)**	–	**16,725**	**15,969**	**185**	**16,154**
Transfer to other reserves		–	–	–	–	–	–	–	**4**	**(4)**	–	–	–
Shares issued in respect of scrip dividends	33(b)	**1,465**	–	–	–	–	–	–	–	–	**1,465**	–	**1,465**
Bonus shares issued	33(b)	–	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	13(b)	–	–	–	–	–	–	–	–	**(1,997)**	**(1,997)**	–	**(1,997)**
Dividend declared and paid in respect of the current year	13(a)	–	–	–	–	–	–	–	–	**(1,020)**	**(1,020)**	–	**(1,020)**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	**(744)**	**(744)**
Increase in shareholding in a subsidiary		–	–	–	–	–	–	–	–	–	–	**1**	**1**
Contribution from non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	**1,358**	**1,358**
Disposal of partial interest in subsidiaries	19(a)	–	–	–	–	–	–	–	–	**331**	**331**	**(331)**	–
Transition to the no-par value regime on 3 March 2014	33(b)	**45,147**	**(45,127)**	**(20)**	–	–	–	–	–	–	–	–	–
Balance at 31 December 2014		**52,010**	–	–	**16**	**7,884**	**515**	**(343)**	**3**	**178,065**	**238,150**	**5,067**	**243,217**

The notes on pages 126 to 213 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	**2014 HK$ million**	2013 HK$ million
Operating activities			
Profit before taxation		**18,473**	17,795
Adjustments for:			
– Interest income		**(534)**	(461)
– Dividend income from investments in available-for-sale equity securities	8(d)	**(228)**	(94)
– Net gain on disposal of fixed assets	7	**(598)**	(2)
– Fixed assets written off	7	**25**	51
– Provision on inventories, net	7	**5**	304
– Bad debts written off/(reversed)	7	**10**	(1)
– (Reversal of impairment loss)/impairment loss on trade debtors	7	**(1)**	2
– Net realised loss on derivative financial instruments	7	**26**	–
– Net gain on disposal of subsidiaries	7 & 34(b)	**(140)**	(667)
– Impairment loss on available-for-sale equity securities	7	**362**	344
– Net gain on disposal of available-for-sale equity securities	7	**(2)**	(163)
– Increase in fair value of investment properties and investment properties under development	17(a)	**(5,538)**	(6,345)
– Finance costs	8(a)	**859**	957
– Amortisation and depreciation	8(d)	**176**	197
– Share of profits less losses of associates		**(4,181)**	(3,669)
– Share of profits less losses of joint ventures		**(2,657)**	(2,613)
– Net foreign exchange gain		**(108)**	(15)
Operating profit before changes in working capital		**5,949**	5,620
Increase in instalments receivable		**(420)**	(842)
Decrease in long term receivable		**14**	14
Decrease in deposits for acquisition of properties		**126**	171
Decrease/(increase) in inventories (other than those acquired through purchase of subsidiaries and transfers to/from investment properties)		**139**	(4,213)
Increase in debtors, prepayments and deposits		**(1,844)**	(956)
Decrease/(increase) in gross amount due from customers for contract work		**78**	(27)
Decrease/(increase) in cash held by stakeholders		**224**	(91)
Increase in creditors and accrued expenses		**460**	1,714
Increase/(decrease) in gross amount due to customers for contract work		**27**	(244)
Increase/(decrease) in rental and other deposits		**123**	(30)
Decrease in forward sales deposits received		**(3)**	(1,344)
Cash generated from/(used in) operations		**4,873**	(228)
Interest received		**132**	96
Tax paid			
– Hong Kong		**(936)**	(783)
– Outside Hong Kong		**(517)**	(435)
Net cash generated from/(used in) operating activities		**3,552**	(1,350)

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million
Investing activities			
Payment for purchase of fixed assets		**(5,233)**	(507)
Proceeds from disposal of fixed assets		**850**	540
Repayment from/(advances to) associates		**437**	(191)
Repayment from joint ventures		**843**	227
Additional investments in associates		**(1)**	(3,137)
Additional investments in joint ventures		**–**	(1)
Payment for purchase of available-for-sale equity securities		**(1,147)**	(6)
Payment for purchase of held-to-maturity debt securities		**(970)**	–
Proceeds from sale of available-for-sale equity securities		**7**	238
Net cash outflow from acquisition of subsidiaries	34(a)	**(77)**	(119)
Proceeds from disposal of a subsidiary in previous year		**928**	–
Proceeds from disposal of subsidiaries, net	34(b)	**265**	912
Additional investments in subsidiaries		**(2)**	(34)
Interest received		**405**	356
Dividends received from associates		**1,736**	1,438
Dividends received from joint ventures		**1,839**	1,097
Dividends received from available-for-sale equity securities		**228**	94
Increase in deposits with banks and other financial institutions over three months of maturity at acquisition		**(69)**	(176)
Net cash generated from investing activities		**39**	731
Financing activities			
Advance from/(repayment to) non-controlling interests, net		**1,338**	(144)
Proceeds from new bank loans		**16,237**	14,206
Repayment of bank loans		**(18,046)**	(8,971)
Repayment of guaranteed notes, net		**(1,910)**	–
Decrease in amount due to a fellow subsidiary		**(423)**	(819)
Interest and other borrowing costs paid		**(2,107)**	(2,068)
Dividends paid to equity shareholders of the Company		**(1,553)**	(657)
Dividends paid to non-controlling interests		**(744)**	(40)
Net cash (used in)/generated from financing activities		**(7,208)**	1,507
Net (decrease)/increase in cash and cash equivalents		**(3,617)**	888
Cash and cash equivalents at 1 January	28	**13,634**	12,456
Effect of foreign exchange rate changes		**(49)**	290
Cash and cash equivalents at 31 December	28	**9,968**	13,634

The notes on pages 126 to 213 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2014

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, construction, infrastructure, hotel operation and management, department store operation and management, finance, project management, investment holding and property management.

2 Significant 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 HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. 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 the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. 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 ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

(b) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements for the year ended 31 December 2014:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
  The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not qualify to be an investment entity.

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
  The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

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

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

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

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

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Amendments to HKFRS 11, *Accounting for acquisitions of interest in joint operations*	1 January 2016
Amendments to HKAS 16, and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that, except for HKFRS 15 and HKFRS 9 in relation to which it is not practicable to provide a reasonable estimate about the impact on the Group's financial statements until the Group performs a detailed review, the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale equity securities (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and investment properties under development (see note 2(j)(i)).

2 Significant accounting policies (continued)

(c) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and the key sources of estimation uncertainty are discussed in note 3.

(d) 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 unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet 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 statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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 recognised.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

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 recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or 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 investee. For this purpose, the Group's interest 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 associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or 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 recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Non-derivative financial assets with fixed or determinable payments and maturity date, and for which the Group has the positive ability and intention to hold to maturity, are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised at fair value and at each balance sheet date, they are measured at amortised cost using the effective interest method less impairment losses (see note 2(n)). Foreign exchange gains and losses resulting from changes in the amortised cost of held-to-maturity debt securities are also recognised in profit or loss.

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(n)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(x)(viii).

When the investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

2 Significant accounting policies (continued)

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the financial asset acquired or financial liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Fixed assets

(i) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(m)(i)) 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 balance sheet date 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 recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

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 (see note 2(m)(i)), 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 2(m).

2 Significant accounting policies (continued)

(j) Fixed assets (continued)

(ii) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

– hotel properties;

– other land and buildings; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the costs of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

(k) Depreciation of fixed assets

(i) Investment properties and investment properties under development

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

(ii) Hotel properties, leasehold land classified as being held for own use under finance leases and other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years, if shorter.

(iii) Other property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements, furniture and fixtures	5 years
–	Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(l) Intangible operating right

Intangible operating right is stated at cost less accumulated amortisation and impairment losses (see note 2(n)).

Amortisation is provided to write off the cost of the intangible operating right using the straight-line method over its remaining life.

Intangible operating right is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(m) 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

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group 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, if classified as investment property, is accounted for as if it was held under a finance lease (see note 2(j)(i)); 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, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets 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 recognised 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.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(j)(i)) or is held for development for sale (see note 2(o)(ii)).

2 Significant accounting policies (continued)

(n) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an available-for-sale equity security below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is 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 interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors 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 recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held for own use under a finance lease;

– intangible operating right;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see notes 2(n)(i) and (ii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 Significant accounting policies (continued)

(o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) *Leasehold land held for development for sale*

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) *Properties held for/under development for sale*

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) *Completed properties for sale*

The cost of completed properties for sale comprises the total land and development costs for that project, being all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined by apportionment attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) *Retail, catering stocks and trading goods*

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included under "Debtors, prepayments and deposits".

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(r) Interest-bearing borrowings

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

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in 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, having been within three months of maturity at acquisition. 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.

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

(v) Income tax

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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised 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 balance sheet date, 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 utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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 or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the balance sheet date 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 recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies (continued)

(v) Income tax (continued)

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) 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 Group issues a financial guarantee, the fair value of the guarantee is initially recognised 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 recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

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

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a 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. Where the time value of 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.

(x) 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 recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate 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. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in 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 use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

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

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bear to the estimated total costs of the contract.

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(iv) Contract revenue (continued)

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable for such costs to be recoverable.

(v) Toll fee income

Toll fee income is recognised when services are provided and the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the Group.

(vi) Hotel operation

Income from hotel operation is recognised when services are provided.

(vii) Sale of goods

Revenue arising from the sale of goods from department store operation is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recognised after deduction of any trade discounts.

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(y) Translation of foreign currencies

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 balance sheet date. Exchange gains and losses are recognised 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 rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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 recognised.

2 Significant accounting policies (continued)

(z) Borrowing costs

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

The capitalisation 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. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Related parties

(a) 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.

(b) 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 a joint venture of the other entity (or an associate or a 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 (a) above.

(vii) A person identified in (a)(i) above 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 family members 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.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly 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.

2 Significant accounting policies (continued)

(ab) Segment reporting (continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and investment properties under development

As described in note 17, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties and investment properties under development) and intangible operating right may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property surveyors and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated selling prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

3 Accounting estimates and judgements (continued)

(d) Recognition of deferred tax assets

At 31 December 2014, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and foreign currency arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments entered into for hedging purposes as well as instalments, rental and other trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Regarding toll fee income receivable from the toll bridge located in Hangzhou, Zhejiang Province, mainland China, the amount is collected on behalf of the Group by 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office)) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou, mainland China, to record the traffic flow and make payment of the toll fee of the toll bridge, pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Group and the Hangzhou Toll Office, and further developments of which are referred to in note 18 to these financial statements. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the financial guarantees given by the Group and the Company as disclosed in note 37 to these financial statements, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26 to these financial statements.

4 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Given the amount due to a fellow subsidiary classified as non-current liability (see note 32), amounts due to subsidiaries (see note 19), amounts due to associates and amounts due to joint ventures (see note 29) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the balance sheet date. Except for these, the following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2014 Contractual undiscounted cash outflow						2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Bank loans and overdrafts	13,889	4,810	8,788	–	27,487	26,558	5,891	12,878	9,883	943	29,595	28,572
Guaranteed notes	783	3,088	13,330	1,977	19,178	16,144	2,741	792	11,061	7,536	22,130	18,213
Creditors and accrued expenses	8,480	1	26	–	8,507	8,505	7,846	1	26	–	7,873	7,870
Rental and other deposits	527	545	207	41	1,320	1,320	508	494	174	22	1,198	1,198
Amount due to a fellow subsidiary	423	–	–	–	423	409	1,290	–	–	–	1,290	1,261
	24,102	8,444	22,351	2,018	56,915	52,936	18,276	14,165	21,144	8,501	62,086	57,114

	2014 Contractual undiscounted cash inflow/(outflow)					2013 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments	(295)	(293)	(841)	(773)	(2,202)	(295)	(295)	(872)	(1,034)	(2,496)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(419)	(420)	(9,682)	(283)	(10,804)	(1,731)	(419)	(3,698)	(6,687)	(12,535)
– inflow	403	403	9,149	289	10,244	1,721	409	3,462	6,571	12,163

4 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

The Company

	2014 Contractual undiscounted cash outflow		2013 Contractual undiscounted cash outflow	
	Within 1 year or on demand HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	Carrying amount HK$ million
Creditors and accrued expenses	**21**	**21**	19	19
Financial guarantees issued:				
Maximum amount guaranteed (note 37)	**43,623**	**–**	47,657	–

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedging

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to enable the Group to secure a fixed interest rate level in relation to the Hong Kong dollar funding resulting from the conversion of the principal amounts of the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars (see note 31) and the bank borrowings denominated in Japanese Yen ("¥") into Hong Kong dollars. As a result, the Group hedges against the interest rate risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2017-2022 denominated in United States dollars and Pound Sterling ("£") with aggregate principal amounts of US$162 million (2013: US$325 million) and £50 million (2013: £50 million) (see note 31) at 31 December 2014; (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million (2013: US$500 million) (see note 31) at 31 December 2014; (iii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes issued pursuant to the Medium Term Note Programme established by the Group on 30 August 2011 denominated in United States dollars and Singapore dollars ("S$") with aggregate principal amounts of US$10 million and S$200 million (2013: US$10 million and S$200 million) (see note 31) at 31 December 2014; and (iv) between the drawdown dates and the repayment dates in respect of the entire amount of the bank borrowings denominated in Japanese Yen with aggregate amounts of ¥10,000 million (2013: ¥10,000 million) at 31 December 2014.

4 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(i) Hedging (continued)

Interest rate swap contracts have also been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings which bear floating interest rates denominated in Hong Kong dollars with an aggregate amount of HK$12,000 million (2013: HK$12,000 million) at 31 December 2014.

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to these guaranteed notes and bank borrowings.

The swap contracts will mature between 13 June 2016 and 20 October 2026 (2013: 25 July 2014 and 20 October 2026) matching the maturity of the related guaranteed notes and the repayment dates of the bank borrowings and have fixed swap interest rates ranging from 1.23% to 5.735% (2013: 1.23% to 5.735%) per annum. The fair value of such swap contracts entered into by the Group at 31 December 2014 amounted to HK$318 million (2013: HK$447 million) (derivative financial assets) and HK$1,473 million (2013: HK$998 million) (derivative financial liabilities), respectively. These amounts are recognised as derivative financial instruments at 31 December 2014 and 2013 (see note 22).

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and overdrafts, guaranteed notes and amount due to a fellow subsidiary at the balance sheet date, after taking into account the effect of swap contracts designated as cash flow hedging instruments (see (i) above).

	2014		
	Fixed/ floating	**Effective interest rate**	**Amount HK$ million**
Bank loans and overdrafts	**Floating**	**0.65%-6.35%**	**13,990**
Bank loans	**Fixed**	**2.23%-4.70%**	**12,568**
Guaranteed notes	**Fixed**	**3.65%-5.74%**	**16,144**
Amount due to a fellow subsidiary	**Floating**	**1.05%-6.65%**	**5,021**

	2013		
	Fixed/ floating	Effective interest rate	Amount HK$ million
Bank loans and overdrafts	Floating	0.80%-6.98%	15,895
Bank loans	Fixed	2.23%-4.70%	12,677
Guaranteed notes	Fixed	2.16%-5.74%	18,213
Amount due to a fellow subsidiary	Floating	0.92%-6.65%	5,474

4 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2013: 100 basis points) at 31 December 2014 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$59 million (2013: HK$65 million).

The sensitivity analysis above assumes the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the balance sheet date. The analysis is performed on the same basis for 2013.

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and mainland China with its cash flows substantially denominated in Hong Kong dollars and Renminbi, respectively. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and the related returns to be generated therefrom.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Pound Sterling, Singapore dollars, Euros, Canadian dollars and Japanese Yen, certain available-for-sale securities and held-to-maturity debt securities which are denominated in United States dollars and certain available-for-sale securities which are denominated in Renminbi, and all of which were not hedged at 31 December 2014. At 31 December 2014, cash deposits denominated in United States dollars amounted to US$219 million (2013: US$375 million), and the available-for-sale securities and held-to-maturity debt securities denominated in United States dollars amounted to US$124 million (2013: Nil). The Group does not expect that there will be any significant currency risk associated with such cash deposits, available-for-sale securities and held-to-maturity debt securities, given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in Pound Sterling, Singapore dollars, Euros, Canadian dollars and Japanese Yen as well as the available-for-sale securities denominated in Renminbi, since the balances are insignificant, the Group considers the exposure to foreign currency risk to be low.

(i) Hedging

The foreign currency risk attributable to the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars (see note 31) and the bank borrowings denominated in Japanese Yen are being hedged by way of the cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks, as a result of which the principal amounts of the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars and the bank borrowings denominated in Japanese Yen were converted into Hong Kong dollars, details of which are set out in note 4(c)(i).

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2013: 5%) at 31 December 2014 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$28 million (2013: increase/decrease by HK$32 million).

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2013.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 23).

Listed investments held in the available-for-sale equity securities portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. Assuming that the market value of the Group's listed available-for-sale equity securities had increased/decreased by not more than 10% (2013: 10%) at 31 December 2014, with all other variables held constant, the total equity attributable to equity shareholders of the Company would increase/decrease by HK$278 million (2013: HK$190 million). Any increase or decrease in the market value of the Group's listed available-for-sale equity securities would not affect the Group's profit after tax unless they are impaired.

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair value of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, that none of the Group's available-for-sale equity securities would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2013.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique 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.

4 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2014	**Fair value measurements at 31 December 2014 categorised into**	
		Level 1	**Level 2**
	HK$ million	**HK$ million**	**HK$ million**
Recurring fair value measurement			
Financial assets:			
Available-for-sale securities:			
– Listed (note 23)	**2,783**	**2,783**	**–**
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	**318**	**–**	**318**
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	**812**	**–**	**812**
– Interest rate swap contracts (note 22)	**661**	**–**	**661**

	Fair value at 31 December 2013	Fair value measurements at 31 December 2013 categorised into	
		Level 1	Level 2
	HK$ million	HK$ million	HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale securities:			
– Listed (note 23)	1,899	1,899	–
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	383	–	383
– Interest rate swap contracts (note 22)	64	–	64
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	704	–	704
– Interest rate swap contracts (note 22)	294	–	294

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date during which they occur.

4 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

(ii) Financial assets and liabilities measured at other than fair value

The carrying amounts of the Group's and the Company's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 2013 except as follows:

– *Amounts due from/to subsidiaries, certain amounts due from associates and joint ventures and amounts due to associates and joint ventures*

Amounts due from/to subsidiaries, certain amounts due from associates and joint ventures and all the amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– *Unlisted investments*

Unlisted available-for-sale equity securities of HK$1,083 million (2013: HK$1,057 million) (see note 23) do not have a quoted market price in an active market and their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date.

– *Held-to-maturity debt securities*

Held-to-maturity debt securities of HK$958 million (2013: Nil) (see note 23) with fair value of HK$912 million (2013: Nil) are recognised at amortised cost less impairment losses at 31 December 2014.

5 Turnover

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

The major items are analysed as follows:

	2014 HK$ million	2013 HK$ million
Sale of properties	**15,466**	15,743
Rental income	**5,445**	4,994
Construction	**888**	1,290
Infrastructure	**–**	–
Hotel operation	**188**	194
Department store operation	**431**	399
Others	**953**	669
Total (note 16(b))	**23,371**	23,289

6 Other revenue

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

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

7 Other net income

	2014 HK$ million	2013 HK$ million
Net gain on disposal of subsidiaries (note 34(b))	**140**	667
Net gain/(loss) on disposal of fixed assets		
– Investment properties	**602**	7
– Other fixed assets	**(4)**	(5)
Fixed assets written off	**(25)**	(51)
Net gain on disposal of available-for-sale equity securities	**2**	163
Impairment loss on available-for-sale equity securities	**(362)**	(344)
Reversal of impairment loss/(impairment loss) on trade debtors (notes 16(c) and 26(b))	**1**	(2)
Bad debts (written off)/reversed	**(10)**	1
Provision on inventories, net	**(5)**	(304)
Net realised loss on derivative financial instruments	**(26)**	–
Net foreign exchange loss	**(9)**	(83)
Others	**101**	(41)
	405	8

8 Profit before taxation

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

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

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

8 Profit before taxation (continued)

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

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

Details of the directors' remuneration are set out in note 9.

	2014 HK$ million	2013 HK$ million
(c) Staff costs (other than directors' remuneration):		
Salaries, wages and other benefits	**1,866**	1,692
Contributions to defined contribution retirement plans	**84**	76
	1,950	1,768

	2014 HK$ million	2013 HK$ million
(d) Other items:		
Depreciation (note 17(a))	**151**	171
Less: Amount capitalised	**(6)**	(5)
	145	166
Net foreign exchange gain	**(160)**	(95)
Cash flow hedges: net foreign exchange loss reclassified from equity	**169**	181
	9	86
Amortisation of intangible operating right (note 18)	**31**	31
Cost of sales		
– completed properties for sale	**11,217**	11,286
– trading stocks	**339**	328
Auditors' remuneration	**24**	21
Operating lease charges: minimum lease payments in respect of leasing of building facilities	**204**	214
Rentals receivable from investment properties less direct outgoings of HK$1,374 million (2013: HK$1,170 million) (note)	**(3,496)**	(3,338)
Other rental income less direct outgoings	**(398)**	(332)
Dividend income from investments in available-for-sale equity securities		
– listed	**(88)**	(84)
– unlisted	**(140)**	(10)

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

9 Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee	120	18,763	–	–	18,883
Dr Lee Ka Kit	120	16,984	540	17	17,661
Dr Lam Ko Yin, Colin	120	8,892	21,110	534	30,656
Lee Ka Shing	120	12,375	1,760	644	14,899
Yip Ying Chee, John	100	8,124	14,880	487	23,591
Suen Kwok Lam	100	6,240	6,060	374	12,774
Lee King Yue	100	3,372	281	202	3,955
Fung Lee Woon King	100	4,464	4,136	268	8,968
Lau Yum Chuen, Eddie	100	–	–	–	100
Li Ning	102	3,444	550	207	4,303
Kwok Ping Ho	200	4,332	1,230	260	6,022
Wong Ho Ming, Augustine	100	8,316	7,680	499	16,595
Non-executive Directors					
Lee Pui Ling, Angelina	150	150	–	–	300
Lee Tat Man	120	–	–	–	120
Independent non-executive Directors					
Kwong Che Keung, Gordon	220	530	–	–	750
Professor Ko Ping Keung	220	530	–	–	750
Wu King Cheong	220	530	–	–	750
Leung Hay Man	270	680	–	–	950
Woo Ka Biu, Jackson	200	–	–	–	200
Professor Poon Chung Kwong	200	100	–	–	300
Dr Chung Shui Ming, Timpson	200	100	–	–	300
Au Siu Kee, Alexander	600	100	–	–	700
Total for the year ended 31 December 2014	3,782	98,026	58,227	3,492	163,527

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows: (continued)

	2013				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee	120	18,763	–	–	18,883
Dr Lee Ka Kit	120	16,378	1,168	15	17,681
Dr Lam Ko Yin, Colin	120	8,508	21,492	510	30,630
Lee Ka Shing	120	14,198	856	616	15,790
Yip Ying Chee, John	100	7,776	15,224	467	23,567
Suen Kwok Lam	100	5,976	6,328	359	12,763
Lee King Yue	100	3,228	269	194	3,791
Fung Lee Woon King	100	4,272	6,328	256	10,956
Lau Yum Chuen, Eddie	100	–	–	–	100
Li Ning	100	3,240	550	194	4,084
Kwok Ping Ho	193	4,140	1,210	248	5,791
Wong Ho Ming, Augustine	100	7,560	7,440	454	15,554
Non-executive Directors					
Lee Pui Ling, Angelina	150	150	–	–	300
Lee Tat Man	120	–	–	–	120
Independent non-executive Directors					
Kwong Che Keung, Gordon	220	530	–	–	750
Professor Ko Ping Keung	220	530	–	–	750
Wu King Cheong	220	530	–	–	750
Leung Hay Man	270	680	–	–	950
Woo Ka Biu, Jackson	200	–	–	–	200
Professor Poon Chung Kwong	200	100	–	–	300
Dr Chung Shui Ming, Timpson	200	100	–	–	300
Au Siu Kee, Alexander	591	–	–	–	591
Total for the year ended 31 December 2013	3,764	96,659	60,865	3,313	164,601

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior years.

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2013: all) of them are directors whose emoluments are disclosed in note 9.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 9 and 10(a) respectively, the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the annual report (of which these financial statements form a part) fell within the following bands:

	2014 Number of individuals	2013 Number of individuals
Emolument band (HK$) (note)		
$3,000,000 or below	**–**	2
$3,000,001 to $4,000,000	**3**	1
$4,000,001 to $5,000,000	**3**	4
$5,000,001 to $6,000,000	**1**	–
$6,000,001 to $7,000,000	**1**	2
$7,000,001 to $8,000,000	**–**	1
$8,000,001 to $9,000,000	**2**	2
$9,000,001 to $10,000,000	**2**	1
$10,000,001 or above	**3**	3
	15	16

Note: Including salaries, emoluments, other allowances and benefits, discretionary bonuses and retirement scheme contributions.

11 Income tax

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

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

Provision for Hong Kong Profits Tax has been made at 16.5% (2013: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2013/14 subject to a ceiling of HK$10,000 allowed by the Hong Kong Special Administrative Region Government for each business (2013: the same statutory concession amount was granted for the year of assessment 2012/13 and was taken into account in calculating the Hong Kong Profits Tax provision for 2013).

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

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

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 HK$ million	2013 HK$ million
Profit before taxation	**18,473**	17,795
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**3,240**	3,234
Tax effect of share of profits less losses of associates and joint ventures	**(1,142)**	(1,055)
Tax effect of non-deductible expenses	**240**	266
Tax effect of non-taxable revenue	**(1,214)**	(937)
Tax effect of temporary differences not recognised in prior years now recognised	**–**	9
Tax effect of current year's tax losses not recognised	**370**	282
Tax effect of prior years' tax losses utilised	**(41)**	(13)
Tax effect of unused tax losses not recognised in prior years now recognised	**(37)**	(55)
Tax indemnity received	**(2)**	(44)
One-off rebate of Hong Kong Profits Tax	**(1)**	(1)
Land Appreciation Tax	**116**	29
Withholding tax	**9**	9
(Over)/under-provision in Hong Kong Profits Tax and taxation outside Hong Kong in respect of prior years, net	**(5)**	15
Actual tax expense	**1,533**	1,739

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group							
	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Consideration receivable on disposal of toll fee collection right of toll bridges HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
Deferred tax arising from:								
At 1 January 2013	1,083	2,745	493	1,124	12	(589)	(260)	4,608
Exchange adjustments	11	93	5	–	–	–	–	109
Charged/(credited) to profit or loss	130	495	31	–	(1)	20	(1)	674
Charged to reserves (note 14(a))	–	–	–	–	–	–	239	239
Acquisition of subsidiaries (note 34(a))	–	–	–	3	–	–	–	3
At 31 December 2013	1,224	3,333	529	1,127	11	(569)	(22)	5,633
At 1 January 2014	**1,224**	**3,333**	**529**	**1,127**	**11**	**(569)**	**(22)**	**5,633**
Exchange adjustments	**(1)**	**(9)**	**–**	**–**	**–**	**–**	**–**	**(10)**
Charged/(credited) to profit or loss	**131**	**42**	**43**	**(66)**	**(5)**	**72**	**–**	**217**
Credited to reserves (note 14(a))	**–**	**–**	**–**	**–**	**–**	**–**	**(68)**	**(68)**
Disposal of subsidiaries (note 34(b))	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**
At 31 December 2014	**1,352**	**3,366**	**572**	**1,061**	**6**	**(497)**	**(90)**	**5,770**

	The Group	
	2014 HK$ million	2013 HK$ million
Net deferred tax assets recognised in the consolidated balance sheet	**(556)**	(523)
Net deferred tax liabilities recognised in the consolidated balance sheet	**6,326**	6,156
	5,770	5,633

11 Income tax (continued)

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group			
	2014		2013	
	Deductible temporary differences/ tax losses HK$ million	**Deferred tax assets not recognised HK$ million**	Deductible temporary differences/ tax losses HK$ million	Deferred tax assets not recognised HK$ million
Deductible temporary differences	**30**	**5**	8	1
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**2,041**	**337**	2,286	377
– Not yet assessed by the Inland Revenue Department	**5,529**	**912**	4,679	772
Outside Hong Kong (note (ii))	**1,050**	**263**	1,130	282
	8,620	**1,512**	8,095	1,431
	8,650	**1,517**	8,103	1,432

Notes:

(i) These tax losses do not expire under current tax legislation.

(ii) These tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$5,534 million (2013: HK$2,340 million) which has been dealt with in the financial statements of the Company.

13 Dividends

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

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

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

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

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

14 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2014			2013		
	Pre-tax amount HK$ million	Tax credit HK$ million	Net-of-tax amount HK$ million	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Exchange differences: net movement in the exchange reserve	**(248)**	**–**	**(248)**	1,491	–	1,491
Cash flow hedges: net movement in the hedging reserve	**(410)**	**68**	**(342)**	1,453	(239)	1,214
Available-for-sale equity securities: net movement in the fair value reserve	**133**	**–**	**133**	(151)	–	(151)
Share of other comprehensive income of associates and joint ventures	**(329)**	**–**	**(329)**	380	–	380
Other comprehensive income for the year	**(854)**	**68**	**(786)**	3,173	(239)	2,934
		(note 11(c))			(note 11(c))	

14 Other comprehensive income (continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2014 HK$ million	2013 HK$ million
Exchange differences:		
– translation of financial statements of foreign entities	**(198)**	1,491
– reclassification adjustments for amounts transferred to profit or loss on disposal of a subsidiary	**(50)**	–
Net movement in the exchange reserve during the year recognised in other comprehensive income	**(248)**	1,491
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**(579)**	1,272
– reclassification adjustments for amounts transferred to profit or loss	**169**	181
– net deferred tax credited/(charged) to other comprehensive income	**68**	(239)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(342)**	1,214
Available-for-sale equity securities:		
– changes in fair value recognised during the year	**(227)**	(332)
– reclassification adjustments for amounts transferred to profit or loss on disposal	**(2)**	(163)
– reclassification adjustments for amounts transferred to profit or loss on impairment	**362**	344
Net movement in the fair value reserve during the year recognised in other comprehensive income	**133**	(151)

14 Other comprehensive income (continued)

(c) For each component of equity

	Attributable to equity shareholders of the Company								
	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
2013									
Exchange differences:									
– translation of financial statements of foreign entities	–	1,472	–	–	–	–	1,472	19	1,491
Cash flow hedges:									
– effective portion of changes in fair value, net of deferred tax	–	–	–	1,063	–	–	1,063	–	1,063
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	151	–	–	151	–	151
Available-for-sale equity securities:									
– changes in fair value	–	–	(332)	–	–	–	(332)	–	(332)
– reclassification adjustments for amounts transferred to profit or loss on disposal	–	–	(163)	–	–	–	(163)	–	(163)
– reclassification adjustments for amounts transferred to profit or loss on impairment	–	–	344	–	–	–	344	–	344
Share of other comprehensive income of associates and joint ventures	–	349	(74)	56	4	45	380	–	380
Other comprehensive income for the year	–	1,821	(225)	1,270	4	45	2,915	19	2,934
2014									
Exchange differences:									
– translation of financial statements of foreign entities	**–**	**(195)**	**–**	**–**	**–**	**–**	**(195)**	**(3)**	**(198)**
– reclassification from equity to profit or loss on disposal of a subsidiary	**–**	**(50)**	**–**	**–**	**–**	**–**	**(50)**	**–**	**(50)**
Cash flow hedges:									
– effective portion of changes in fair value, net of deferred tax	**–**	**–**	**–**	**(483)**	**–**	**–**	**(483)**	**–**	**(483)**
– reclassification from equity to profit or loss, net of deferred tax	**–**	**–**	**–**	**141**	**–**	**–**	**141**	**–**	**141**
Available-for-sale equity securities:									
– changes in fair value	**–**	**–**	**(227)**	**–**	**–**	**–**	**(227)**	**–**	**(227)**
– reclassification adjustments for amounts transferred to profit or loss on disposal	**–**	**–**	**(2)**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
– reclassification adjustments for amounts transferred to profit or loss on impairment	**–**	**–**	**362**	**–**	**–**	**–**	**362**	**–**	**362**
Share of other comprehensive income of associates and joint ventures	**–**	**(307)**	**36**	**(31)**	**–**	**(27)**	**(329)**	**–**	**(329)**
Other comprehensive income for the year	**–**	**(552)**	**169**	**(373)**	**–**	**(27)**	**(783)**	**(3)**	**(786)**

15 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$16,752 million (2013: HK$15,948 million) and the weighted average number of 2,983 million ordinary shares in issue during the year (2013: 2,939 million ordinary shares*), calculated as follows:

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

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

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

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company of HK$9,292 million (2013: HK$8,938 million), excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) during the year. A reconciliation of profit is as follows:

	2014 HK$ million	2013 HK$ million
Profit attributable to equity shareholders of the Company	**16,752**	15,948
Effect of changes in fair value of investment properties and investment properties under development (note 17 (a))	**(5,538)**	(6,345)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development (note 11 (c))	**42**	495
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(796)**	(552)
– joint ventures	**(1,188)**	(628)
Effect of share of non-controlling interests	**20**	20
Underlying profit attributable to equity shareholders of the Company	**9,292**	8,938
Underlying earnings per share	**HK$3.11**	HK$3.04*

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

16 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Construction	:	Construction of building works
Infrastructure	:	Investment in infrastructure projects
Hotel operation	:	Hotel operation and management
Department store operation	:	Department store operation and management
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses
Others	:	Provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land

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

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

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

16 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

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

16 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

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

16 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

16 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

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

Notes:

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

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

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

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

(v) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$2,268 million (2013: HK$1,638 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$1,188 million (2013: HK$628 million).

16 Segment reporting (continued)

(b) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	For the year ended 31 December		At 31 December	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Hong Kong	**16,531**	16,779	**164,148**	151,510
Mainland China	**6,840**	6,510	**38,429**	36,910
	23,371	23,289	**202,577**	188,420
	(note 5)	(note 5)		

(c) Other segment information

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

17 Fixed assets

(a) The Group

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2013	98,288	221	836	716	984	1,420	102,465
Exchange adjustments	859	46	–	1	–	10	916
Additions	134	439	–	15	–	76	664
Disposals							
– through disposal of subsidiaries (note 34 (b))	(1,084)	–	–	–	–	–	(1,084)
– others	(115)	–	–	–	–	(54)	(169)
Written off	–	–	–	–	–	(73)	(73)
Surplus on revaluation	5,033	1,312	–	–	–	–	6,345
Transfer to investment properties	582	–	–	(582)	–	–	–
Transfer from/(to) inventories, net	(662)	1,878	–	89	–	–	1,305
At 31 December 2013	103,035	3,896	836	239	984	1,379	110,369
Representing:							
Cost	–	–	836	239	984	1,379	3,438
Valuation	103,035	3,896	–	–	–	–	106,931
	103,035	3,896	836	239	984	1,379	110,369
Accumulated depreciation and impairment losses:							
At 1 January 2013	–	–	243	32	142	976	1,393
Exchange adjustments	–	–	–	–	–	7	7
Charge for the year (note 8(d))	–	–	21	2	19	129	171
Written back on disposals	–	–	–	–	–	(52)	(52)
Written off	–	–	–	–	–	(22)	(22)
At 31 December 2013	–	–	264	34	161	1,038	1,497
Net book value:							
At 31 December 2013	103,035	3,896	572	205	823	341	108,872

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2014	103,035	3,896	836	239	984	1,379	110,369
Exchange adjustments	(68)	(36)	–	–	–	(1)	(105)
Additions	416	5,149	–	–	–	54	5,619
Disposals							
– through disposal of subsidiaries (note 34(b))	(52)	–	–	–	–	(1)	(53)
– others	(235)	–	–	–	–	(66)	(301)
Written off	–	–	–	–	–	(43)	(43)
Surplus on revaluation	5,510	28	–	–	–	–	5,538
Transfer to investment properties and other land and buildings	4,051	(4,057)	–	6	–	–	–
Transfer from inventories	199	–	–	53	–	–	252
At 31 December 2014	112,856	4,980	836	298	984	1,322	121,276
Representing:							
Cost	–	–	836	298	984	1,322	3,440
Valuation	112,856	4,980	–	–	–	–	117,836
	112,856	4,980	836	298	984	1,322	121,276
Accumulated depreciation and impairment losses:							
At 1 January 2014	–	–	264	34	161	1,038	1,497
Exchange adjustments	–	–	–	–	–	(1)	(1)
Charge for the year (note 8(d))	–	–	21	7	20	103	151
Written back on disposals	–	–	–	–	–	(58)	(58)
Written off	–	–	–	–	–	(18)	(18)
At 31 December 2014	–	–	285	41	181	1,064	1,571
Net book value:							
At 31 December 2014	112,856	4,980	551	257	803	258	119,705

17 Fixed assets (continued)

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

	The Group	
	2014 HK$ million	2013 HK$ million
In Hong Kong		
– under long leases	**8,526**	8,312
– under medium-term leases	**77,872**	67,654
	86,398	75,966
Outside Hong Kong		
– under long leases	**77**	152
– under medium-term leases	**32,972**	32,412
– under short-term leases	**–**	1
	33,049	32,565
	119,447	108,531

(c) Fair value measurement of investment properties and investment properties under development

Fair value hierarchy

The fair value of the Group's investment properties and investment properties under development is measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique 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.

None of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 valuations.

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date during which they occur.

17 Fixed assets (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation process

The Group's investment properties and investment properties under development were revalued at 31 December 2014 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual balance sheet date and is reviewed and approved by senior management.

Valuation methodologies

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

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

Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

Completed investment properties

	Range of capitalisation rates		Range of occupancy rates	
	2014 %	2013 %	**2014 %**	2013 %
In Hong Kong				
– Retail	**2.75%-5.5%**	2.75%-6.0%	**61%-100%**	91%-100%
– Office/industrial	**3.5%-4.5%**	3.5%-4.5%	**91%-100%**	87%-100%
– Residential	**2.25%-2.75%**	2.5%-2.75%	**70%-96%**	96%
In mainland China				
– Retail	**5.5%-8.0%**	5.5%-8.0%	**46%-100%**	82%-100%
– Office	**6.5%-7.5%**	6.5%-7.5%	**38%-100%**	77%-100%

The fair value measurement of completed investment properties is positively correlated to the occupancy rate and negatively correlated to the capitalisation rate.

17 Fixed assets (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Level 3 valuation methodologies (continued)

Investment properties under development

	Estimated project development cost	
	2014 HK$ million	2013 HK$ million
In Hong Kong	**1,072 – 1,223**	1,072
In mainland China	**–**	1,108

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion, being determined as the estimated project development cost less the actual amount of project development cost incurred up to the balance sheet date.

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

18 Intangible operating right

The Group

	Toll bridge operating right	
	2014 HK$ million	2013 HK$ million
Cost:		
At 1 January	**957**	931
Exchange adjustments	**(3)**	26
At 31 December	**954**	957
Accumulated amortisation:		
At 1 January	**563**	516
Exchange adjustments	**(1)**	16
Charge for the year (note 8(d))	**31**	31
At 31 December	**593**	563
Carrying amount:		
At 31 December	**361**	394

The amortisation charge for the year is included in "Direct costs" in the consolidated statement of profit or loss.

The toll bridge represents Hangzhou Qianjiang Third Bridge (the "Bridge") located in Hangzhou, Zhejiang Province, mainland China.

18 Intangible operating right (continued)

The Group was granted the operating right of the Bridge by the Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) (發展和改革委員會(前稱為國家發展計劃委員會)) in 1999 for a period of 30 years from 20 March 1997 (commencement date of the Bridge's operation) to 19 March 2027 during which the Group has the rights of management and maintenance of the Bridge.

The General Office of the People's Government of Zhejiang Province (浙江省人民政府) notified Zhejiang Province Department of Communications (浙江省交通運輸廳) and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of the Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012).

Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a subsidiary of Henderson Investment Limited ("HIL", being a subsidiary of the Company) which holds the operating right of the Bridge, had obtained from the Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) a written pledge on 31 December 2003 regarding the operation period of the Bridge of 30 years and they were of the view that the operating right and the toll fee collection right should be for a same period. For the sake of reassurance, in June 2011, the Joint Venture Company wrote to the People's Government of Zhejiang Province and Zhejiang Province Department of Communications requesting for their confirmation that both the operating right and toll fee collection right of the Bridge last for a same period of 30 years, the reply from whom is pending at the date of issue of these financial statements. In this regard, on 9 February 2012, the Joint Venture Company filed with Legislative Affairs Office of the People's Government of Zhejiang Province (浙江省人民政府法制辦公室) an administrative reconsideration application for the purpose of seeking an order to oblige the People's Government of Zhejiang Province and Zhejiang Province Department of Communications to carry out their statutory duties to officially confirm that the toll fee collection right of the Bridge should be for a period of 30 years.

Whilst HIL was still waiting for the result of the application, on 20 March 2012, the Joint Venture Company received a letter dated 18 March 2012 from the Hangzhou Toll Office (as referred to in note 4(a)) which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of the Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement (as referred to in note 4(a)), continue to record the traffic flow of the Bridge and work with the Joint Venture Company. The Joint Venture Company was instructed by HIL to write to the Hangzhou Toll Office to state that the action taken by the Hangzhou Toll Office had no legal or contractual basis and was unacceptable and to ask the Hangzhou Toll Office to clarify the basis of their action and to continue to perform their obligations under the Collection Agreement, failing which the Joint Venture Company would have no alternative but to take legal actions to protect its interest. The Joint Venture Company on 6 June 2012 received a letter from Hangzhou Municipal Bureau of Communications which stated that Hangzhou Municipal Bureau of Communications had been confirmed and assigned by Hangzhou Municipal People's Government (杭州市人民政府) to negotiate concretely with the Joint Venture Company and strive to properly deal with the related matters resulting from the abovementioned provisional suspension of the toll fee payment of the Bridge as soon as possible, and the corresponding compensation matters proposed by the Joint Venture Company would be dealt with in due course.

18 Intangible operating right (continued)

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the toll revenue (after deduction of business tax) during the period from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Group) to 31 December 2014 of RMB648 million, or equivalent to HK$808 million, was not recognised in these financial statements. Accordingly, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2014. Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company had, in accordance with the terms of the Collection Agreement, filed an arbitration application with China International Economic and Trade Arbitration Commission ("CIETAC", 中國國際經濟貿易仲裁委員會) on 17 September 2012 against the Hangzhou Toll Office and Hangzhou Municipal People's Government for an arbitration award that, inter alia, they should continue to perform their obligations under the Collection Agreement by paying toll fees of the Bridge to the Joint Venture Company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred. CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case. The arbitration proceedings commenced on 14 April 2014 and no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan and the Joint Venture Company has already written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans for mediation and the mediation meeting was scheduled to be held in Hangzhou on 31 March 2015.

19 Interest in subsidiaries

	The Company	
	2014 HK$ million	2013 HK$ million
Unlisted shares, at cost	**2,852**	2,851
Less: Impairment loss	**(93)**	(93)
	2,759	2,758
Amounts due from subsidiaries	**145,975**	138,628
	148,734	141,386
Amounts due to subsidiaries (note 29)	**(25,655)**	(22,405)

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered/settled within one year.

Details of the principal subsidiaries at 31 December 2014 are set out on pages 204 to 211.

(a) Transaction with a subsidiary – HIL

On 1 December 2014, the Company completed its disposal of the entire share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited and Puretech Investment Limited (collectively, the "Target Group"), to HIL for a cash consideration of HK$935 million. As a result, the Company disposed of its partial interest in the Target Group to the non-controlling interests in the amount of HK$262 million which is included in the "disposal of partial interest in subsidiaries" of HK$331 million as referred to in the Group's consolidated statement of changes in equity for the year ended 31 December 2014.

20 Interest in associates

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Unlisted				
Shares, at cost	**–**	–	**129**	129
Share of net assets	**1,799**	1,652	**–**	–
Amounts due from associates	**402**	343	**2**	8
	2,201	1,995	**131**	137
Less: Impairment loss	**–**	–	**(38)**	(38)
	2,201	1,995	**93**	99
Listed in Hong Kong				
Share of net assets, including goodwill on acquisition	**47,945**	46,113	**–**	–
	50,146	48,108	**93**	99
Market value of listed shares	**81,005**	74,076	**–**	–

Except for an amount due from an associate of HK$3 million which is interest-bearing at Hong Kong dollar prime rate less 3% per annum (2013: amounts due from associates of HK$6 million and HK$80 million which were interest-bearing at Hong Kong dollar prime rate less 3% per annum and Hong Kong dollar prime rate plus 2% per annum, respectively), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year and are neither past due nor impaired.

All of the associates are accounted for using the equity method in the consolidated financial statements. Details of the principal associates at 31 December 2014 are set out on page 212.

20 Interest in associates (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	The Hong Kong and China Gas Company Limited (note)	
	2014 HK$ million	2013 HK$ million
Gross amounts of the associate's:		
Current assets	**24,641**	21,689
Non-current assets	**89,877**	84,807
Current liabilities	**(20,690)**	(19,262)
Non-current liabilities	**(31,515)**	(30,781)
Equity	**62,313**	56,453
Revenue	**31,615**	28,246
Profit from continuing operations	**8,103**	7,756
Other comprehensive income	**(973)**	1,041
Total comprehensive income	**7,130**	8,797
Dividend received from the associate	**1,436**	1,254
Reconciled to the Group's interest in the associate:		
Gross amounts of net assets of the associate	**62,313**	56,453
Holders of perpetual capital securities	**(2,354)**	–
Non-controlling interests	**(7,242)**	(6,503)
Equity attributable to equity shareholders	**52,717**	49,950
Group's interest	**41.51%**	41.50%
Group's share of the associate's equity attributable to equity shareholders	**21,883**	20,729
Goodwill	**17,508**	17,488
Carrying amount in the consolidated financial statements	**39,391**	38,217
Market value of the listed shares	**77,505**	70,538

Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses. Its distinctive business nature forms a supplement to the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.

20 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2014 HK$ million	2013 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**10,755**	9,891
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	**1,231**	906
Other comprehensive income	**3**	(27)
Total comprehensive income	**1,234**	879

21 Interest in joint ventures

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	2014 HK$ million	2013 HK$ million
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**25,051**	23,717	**–**	–
Amounts due from joint ventures	**7,314**	7,329	**123**	113
	32,365	31,046	**123**	113

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment except for the amounts of HK$3 million and HK$195 million which are interest-bearing at Hong Kong dollar prime rate per annum and Hong Kong Interbank Offered Rate plus 0.5% per annum, respectively (2013: amounts due from joint ventures of HK$5 million, HK$205 million and HK$1,199 million which were interest-bearing at Hong Kong dollar prime rate per annum, Hong Kong Interbank Offered Rate plus 0.5% per annum and Hong Kong Interbank Offered Rate plus 1.77% per annum, respectively). The balances are not expected to be recovered within one year and are neither past due nor impaired.

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. Details of the principal joint ventures at 31 December 2014 are set out on page 213.

21 Interest in joint ventures (continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Central Waterfront Property Investment Holdings Limited (note)	
	2014 HK$ million	2013 HK$ million
Gross amounts of the joint venture's:		
Current assets	**866**	1,019
Non-current assets	**80,832**	78,401
Current liabilities	**(1,960)**	(1,745)
Non-current liabilities	**(18,199)**	(18,236)
Equity	**61,539**	59,439
Included in the above assets and liabilities:		
Cash and cash equivalents	**306**	622
Non-current financial liabilities (excluding trade and other payables and provisions)	**(17,375)**	(17,398)
Revenue	**5,732**	5,435
Profit from continuing operations	**5,583**	3,713
Other comprehensive income	**17**	(11)
Total comprehensive income	**5,600**	3,702
Dividend received from the joint venture	**1,197**	1,050
Included in the above profit:		
Depreciation and amortisation	**(109)**	(109)
Interest income	**1**	1
Interest expense	**(413)**	(360)
Income tax expense	**(621)**	(592)
Reconciled to the Group's interest in the joint venture:		
Gross amounts of net assets of the joint venture	**61,539**	59,439
Group's interest	**34.21%**	34.21%
Group's share of net assets of the joint venture	**21,052**	20,334
Amount due from the joint venture	**–**	1,211
Carrying amount in the consolidated financial statements	**21,052**	21,545

Note: Central Waterfront Property Investment Holdings Limited was incorporated in the British Virgin Islands by the Group and its joint venture partners and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.

21 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2014 HK$ million	2013 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**11,313**	9,501
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operations	**747**	1,343
Other comprehensive income	**7**	57
Total comprehensive income	**754**	1,400

22 Derivative financial instruments

	The Group			
	2014		2013	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 4(f))	**318**	**812**	383	704
Interest rate swap contracts (note 4(f))	**–**	**661**	64	294
Total cash flow hedges (note 4(c)(i))	**318**	**1,473**	447	998
Representing:				
Non-current portion	**318**	**1,473**	409	959
Current portion (notes 26 and 29)	**–**	**–**	38	39
	318	**1,473**	447	998

Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes (see note 31) denominated in United States dollars, Pound Sterling and Singapore dollars with aggregate principal amounts of US$672 million, £50 million and S$200 million at 31 December 2014 (2013: US$835 million, £50 million and S$200 million) and bank loans denominated in Japanese Yen with aggregate amounts of ¥10,000 million at 31 December 2014 (2013: ¥10,000 million); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate amount of HK$12,000 million at 31 December 2014 (2013: HK$12,000 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to the guaranteed notes and bank loans. They will mature between 13 June 2016 and 20 October 2026 (2013: 25 July 2014 and 20 October 2026).

23 Other financial assets

	The Group	
	2014 HK$ million	2013 HK$ million
Available-for-sale securities		
Unlisted (note 4(f)(ii))	**1,083**	1,057
Listed (note 4(f)(i)):		
– in Hong Kong	**2,783**	1,899
	3,866	2,956
Held-to-maturity debt securities		
Listed:		
– in Hong Kong	**367**	–
– outside Hong Kong	**591**	–
	958	–
Instalments receivable	**1,679**	2,394
Loans receivable	**920**	250
Long term receivable	**–**	14
	7,423	5,614
Market value of listed available-for-sale securities (note 4(f)(i))	**2,783**	1,899
Market value of listed held-to-maturity debt securities (note 4(f)(ii))	**912**	–
Fair value of individually impaired available-for-sale equity securities	**885**	1,255

(a) Available-for-sale securities

At 31 December 2014, the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of significant or prolonged decline in their fair value below cost. Impairment loss on available-for-sale equity securities is recognised in profit or loss in accordance with the accounting policy set out in note 2(n)(i).

Included in the carrying amount of available-for-sale securities at 31 December 2014 was an aggregate amount of HK$83 million (2013: Nil) being pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group. Such credit facilities were not utilised by the Group at 31 December 2014.

(b) Held-to-maturity debt securities

The listed debt securities are issued by corporate entities with sound credit standing. All of the held-to-maturity debt securities are neither past due nor impaired.

Included in the carrying amount of held-to-maturity debt securities at 31 December 2014 was an aggregate amount of HK$563 million (2013: Nil) being pledged in favour of certain financial institutions for credit facilities granted to a wholly-owned subsidiary of the Group. Such credit facilities were not utilised by the Group at 31 December 2014.

(c) Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after one year from the balance sheet date. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the balance sheet date is included in "Trade and other receivables" under current assets (see note 26).

23 Other financial assets (continued)

(d) Loans receivable

Loans receivable included amount of HK$200 million (2013: HK$250 million) and HK$720 million (2013: Nil) which are secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% (2013: Hong Kong Interbank Offered Rate plus 5.65%) per annum and Hong Kong Interbank Offered Rate plus 4.00% (2013: Nil) per annum, respectively. The balances are due after one year from the balance sheet date and are neither past due nor impaired.

The current portion of HK$50 million (2013: Nil) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 26).

(e) Long term receivable

At 31 December 2013, long term receivable represented the non-current portion of the discounted value of the instalments receivable in the future arising from the disposal of toll fee collection right of certain toll bridges. The current portion of HK$53 million (2013: HK$68 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 26).

24 Deposits for acquisition of properties

Deposits for acquisition of properties mainly include HK$4,250 million (2013: HK$4,264 million) and HK$561 million (2013: HK$561 million) paid for the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

25 Inventories

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

25 Inventories (continued)

The analysis of carrying value of inventories for property development is as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
In Hong Kong		
– under long leases	**21,888**	18,281
– under medium-term leases	**37,545**	40,529
	59,433	58,810
In mainland China		
– under long leases	**11,934**	12,734
– under medium-term leases	**8,654**	8,594
	20,588	21,328
	80,021	80,138
Including:		
– Properties expected to be completed after more than one year	**54,364**	51,716

26 Trade and other receivables

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Instalments receivable (note 23)	**1,281**	1,809	**–**	–
Loan receivable	**50**	–	**–**	–
Debtors, prepayments and deposits	**6,968**	5,042	**67**	67
Gross amount due from customers for contract work (note 27)	**31**	109	**–**	–
Derivative financial instruments (note 22)	**–**	38	**–**	–
Amounts due from associates	**138**	415	**–**	–
Amounts due from joint ventures	**52**	40	**–**	–
	8,520	7,453	**67**	67

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits and other receivables of HK$892 million (2013: HK$322 million) which are expected to be recovered after more than one year.

Loan receivable under trade and other receivables is secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% (2013: Nil) per annum. The balance is expected to be recovered within one year from the balance sheet date and is neither past due nor impaired.

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

26 Trade and other receivables (continued)

(a) Ageing analysis

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

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

Details of the Group's credit policy are set out in note 4(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
At 1 January	**61**	57	**–**	–
Exchange differences	**–**	2	**–**	–
Impairment loss (reversed)/recognised (notes 7 and 16(c))	**(1)**	2	**–**	–
At 31 December	**60**	61	**–**	–

At 31 December 2014, the Group's trade debtors of HK$60 million (2013: HK$61 million) were individually determined to be impaired. The individually impaired receivables relate to customers who were in financial difficulties and management assessed that only a portion of these receivables are expected to be recovered. Accordingly, the Group has recognised impairment losses during the year in relation to the amounts which are considered to be irrecoverable.

26 Trade and other receivables (continued)

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Neither past due nor impaired	**911**	1,943	**–**	–
Less than 1 month past due	**974**	476	**–**	–
Over 1 month but less than 3 months past due	**31**	108	**–**	–
	1,005	584	**–**	–
	1,916	2,527	**–**	–

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

27 Gross amount due from/(to) customers for contract work

	The Group	
	2014 HK$ million	2013 HK$ million
Contracts in progress at the balance sheet date:		
Contract costs incurred plus profits less losses	**550**	917
Progress billings	**(573)**	(835)
Net contract work	**(23)**	82
Represented by:		
Gross amount due from customers for contract work (note 26)	**31**	109
Gross amount due to customers for contract work (note 29)	**(54)**	(27)
	(23)	82

28 Cash and bank balances

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Deposits with banks and other financial institutions	**6,930**	8,848	**–**	–
Cash at bank and in hand	**3,373**	5,067	**1**	1
Cash and bank balances in the balance sheets	**10,303**	13,915	**1**	1
Less: deposits with banks and other financial institutions over three months of maturity at acquisition	**(247)**	(178)		
Cash and cash equivalents	**10,056**	13,737		
Bank overdrafts (note 30)	**(88)**	(103)		
Cash and cash equivalents in the consolidated cash flow statement	**9,968**	13,634		

At 31 December 2014, cash and cash equivalents in the consolidated balance sheet included balances of bank deposits in mainland China which were subject to exchange controls. Included in such bank deposits is an amount of HK$1,408 million (2013: HK$2,279 million) which was restricted for use and which primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China.

29 Trade and other payables

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Creditors and accrued expenses	**8,505**	7,870	**21**	19
Gross amount due to customers for contract work (note 27)	**54**	27	**–**	–
Rental and other deposits	**1,320**	1,198	**–**	–
Forward sales deposits received	**6,404**	6,429	**–**	–
Amounts due to subsidiaries (note 19)	**–**	–	**25,655**	22,405
Derivative financial instruments (note 22)	**–**	39	**–**	–
Amounts due to associates	**140**	53	**7**	–
Amounts due to joint ventures	**881**	274	**248**	137
	17,304	15,890	**25,931**	22,561

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$818 million (2013: HK$715 million) which is expected to be settled after more than one year. Included in the abovementioned balance was an amount of HK$25 million (2013: HK$25 million) which is unsecured and interest-bearing at 3.50% (2013: 2.92%) per annum.

(b) All of the Company's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$25,655 million (2013: HK$22,405 million) which is not expected to be settled within one year (see note 19).

29 Trade and other payables (continued)

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

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

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

30 Bank loans and overdrafts

At 31 December 2014, bank loans and overdrafts were repayable as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Within 1 year and included in current liabilities	**13,590**	5,514
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**4,595**	12,588
– After 2 years but within 5 years	**8,373**	9,554
– After 5 years	**–**	916
	12,968	23,058
	26,558	28,572

At 31 December 2014, the bank loans and overdrafts were unsecured and analysed as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Unsecured bank loans	**26,470**	28,469
Bank overdrafts (note 28)	**88**	103
	26,558	28,572

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2014 and 2013, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	The Group	
	2014 HK$ million	2013 HK$ million
Guaranteed notes due 2017 – 2022	**1,860**	3,159
Guaranteed notes due 2019	**3,864**	3,860
Guaranteed notes issued pursuant to the Medium Term Note Programme	**10,420**	11,194
	16,144	18,213

At 31 December 2014, the guaranteed notes were repayable as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Within 1 year and included in current liabilities	**–**	1,904
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**2,345**	–
– After 2 years but within 5 years	**12,139**	9,384
– After 5 years	**1,660**	6,925
	16,144	16,309
	16,144	18,213

(a) Guaranteed notes due 2017 – 2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe. An aggregate principal amount of US$163 million of the 2007 Notes was repaid during the year ended 31 December 2014. As a result, at 31 December 2014, the 2007 Notes with principal amounts of US$152 million and £50 million bear fixed interest rates ranging from 6.18% to 6.38% per annum payable semi-annually in arrears and the remaining 2007 Notes with principal amount of US$10 million bear floating rate by reference to 3-month London Interbank Offered Rate payable quarterly in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2017 and 25 July 2022.

(b) Guaranteed notes due 2019

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the "2009 Notes") with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear fixed interest rate at 5.50% per annum payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

31 Guaranteed notes (continued)

(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "Programme")

Certain guaranteed notes in the aggregate principal amount of HK$640 million was repaid during the year ended 31 December 2014. As a result, the carrying amount of the guaranteed notes issued under the Programme and which remained outstanding at 31 December 2014 were as follows:

(i) On 19 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 4.00% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 19 September 2018.

(ii) On 23 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$220 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 23 September 2021.

(iii) On 26 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$656 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 27 September 2021.

(iv) On 20 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$10 million. These notes bear a fixed coupon rate of 5.20% per annum payable annually in arrears, are guaranteed by the Company and will mature on 20 October 2026.

(v) On 28 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$250 million. These notes bear a fixed coupon rate of 4.03% per annum payable annually in arrears, are guaranteed by the Company and will mature on 28 October 2021.

(vi) On 10 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$309 million. These notes bear a fixed coupon rate of 4.80% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 10 November 2031.

(vii) On 11 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.865% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 11 November 2016.

(viii) On 14 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$400 million. These notes bear a fixed coupon rate of 4.75% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 14 February 2017.

(ix) On 15 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.65% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 15 February 2016.

(x) On 22 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$300 million. These notes bear a fixed coupon rate of 4.75% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 14 February 2017.

32 Amount due to a fellow subsidiary

Except for the amount of HK$409 million (2013: HK$1,261 million) which is expected to be settled within one year, the remaining amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year with no fixed terms of repayment.

33 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Retained profits HK$ million	Total HK$ million
Balance at 1 January 2013		4,830	43,706	20	68,866	117,422
Changes in equity for 2013:						
Profit and total comprehensive income for the year	12	–	–	–	2,340	2,340
Dividend approved in respect of the previous financial year	13(b)	–	–	–	(1,787)	(1,787)
Dividend declared and paid in respect of the current year	13(a)	–	–	–	(859)	(859)
Shares issued in respect of scrip dividends	33(b)	86	1,903	–	–	1,989
Issue of bonus shares	33(b)	482	(482)	–	–	–
Balance at 31 December 2013 and 1 January 2014		5,398	45,127	20	68,560	119,105
Changes in equity for 2014:						
Profit and total comprehensive income for the year	12	**–**	**–**	**–**	**5,534**	**5,534**
Dividend approved in respect of the previous financial year	13(b)	**–**	**–**	**–**	**(1,997)**	**(1,997)**
Dividend declared and paid in respect of the current year	13(a)	**–**	**–**	**–**	**(1,020)**	**(1,020)**
Transition to no-par value regime on 3 March 2014	33(b)	**45,147**	**(45,127)**	**(20)**	**–**	**–**
Shares issued in respect of scrip dividends	33(b)	**1,465**	**–**	**–**	**–**	**1,465**
Issue of bonus shares	33(b)	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2014		**52,010**	**–**	**–**	**71,077**	**123,087**

33 Capital and reserves (continued)

(b) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2014 million	2013 million	**2014 HK$ million**	2013 HK$ million
Authorised (note (i)):				
Ordinary shares of HK$2 each (each being a "Share") (note (ii))	**–**	5,000	**–**	10,000
Issued and fully paid:				
At 1 January	**2,699**	2,415	**5,398**	4,830
Transition to the no-par value regime on 3 March 2014 (note (iii))	**–**	–	**45,147**	–
Shares issued in respect of scrip dividends (note (iv))	**31**	43	**1,465**	86
Issue of bonus shares (note (v))	**270**	241	**–**	482
At 31 December	**3,000**	2,699	**52,010**	5,398

(i) Under the new Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(iii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), any amount standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(iv) *Shares issued in respect of scrip dividends*
On 18 July 2014, the Company issued and allotted 31,037,724 Shares at an issue price of HK$46.46 per share in respect of the final dividend for the year ended 31 December 2013 under the scrip dividend scheme. Except for the entitlement to the said final dividend, the 31,037,724 Shares issued rank pari passu in all respects with the then existing Shares.

On 21 October 2014, the Company issued and allotted 405,722 Shares at an issue price of HK$55.79 per share in respect of the interim dividend for the six months ended 30 June 2014 under the scrip dividend scheme. Except for the entitlement to the said interim dividend, the 405,722 Shares issued rank pari passu in all respects with the then existing Shares.

As a result and in accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), during the year ended 31 December 2014, the Company's share capital was increased by approximately HK$1,465 million (2013: the Company's share capital and share premium were increased by HK$86 million and HK$1,903 million, respectively).

33 Capital and reserves (continued)

(b) Share capital (continued)

(v) Issue of bonus shares

On 18 July 2014, an aggregate of 269,899,614 Shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 17 June 2014. There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value with effect from 3 March 2014 in accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622).

On 15 July 2013, an aggregate of 241,484,258 Shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 11 June 2013. An amount standing to the credit of the share premium of the Company, representing the aggregate sum of the nominal value of such bonus shares of HK$482 million, was capitalised upon the issuance of such bonus shares on 15 July 2013.

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 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 (see note 33(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in notes 2(g) and 2(n)(i).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in The People's Republic of China ("PRC") applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

33 Capital and reserves (continued)

(d) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was HK$71,077 million (2013: HK$68,560 million). After the balance sheet date, the directors proposed a final dividend of HK$0.76 (2013: HK$0.74) per ordinary share, amounting to HK$2,280 million (2013: HK$1,997 million) (see note 13). This dividend has not been recognised as a liability at the balance sheet date.

(e) 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 the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary ("Total debt") less cash and bank balances) and shareholders' funds of the Group at the balance sheet date.

During the year ended 31 December 2014, the Group's strategy, which was unchanged from that for the year ended 31 December 2013, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 HK$ million	2013 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
– Within 1 year	**13,590**	7,418
– After 1 year but within 2 years	**6,940**	12,588
– After 2 years but within 5 years	**20,512**	18,938
– After 5 years	**1,660**	7,841
Amount due to a fellow subsidiary	**5,021**	5,474
Total debt	**47,723**	52,259
Less: Cash and bank balances	**10,303**	13,915
Net debt	**37,420**	38,344
Shareholders' funds	**238,150**	223,402
Gearing ratio (%)	**15.7%**	17.2%

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance and governed by the requirements of the Banking Ordinance, neither the Company nor any of its other subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2014.

34 Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

During the year ended 31 December 2014, the Group acquired certain subsidiaries and the major acquisitions were as follows:

On 20 June 2014, the Group acquired from a third party its entire interests in and shareholder's loans to two subsidiaries which beneficially own certain leasehold land in Hong Kong, for an aggregate cash consideration of HK$62 million.

On 31 July 2014, the Group acquired from a related party its entire interest in and shareholder's loan to a subsidiary which beneficially owns certain leasehold land in Hong Kong, for an aggregate cash consideration of HK$15 million. The transaction was carried out on normal commercial terms and in the ordinary course of business.

The fair value of the assets acquired and the liabilities assumed for all of the Group's acquisition of subsidiaries were as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Inventories	**77**	117
Debtors, prepayments and deposits	**–**	5
Deferred tax liabilities (note 11(c))	**–**	(3)
Net assets and total consideration	**77**	119
Representing:		
Cash consideration paid	**77**	119
Net cash outflow in respect of the acquisition:		
Cash consideration paid	**(77)**	(119)

34 Acquisition and disposal of subsidiaries (continued)

(b) Disposal of subsidiaries

The Group disposed of certain subsidiaries during the year ended 31 December 2014. The disposals had the following effect on the Group's assets and liabilities:

	The Group	
	2014 HK$ million	2013 HK$ million
Fixed assets (note 17(a))	**53**	1,084
Inventories	**940**	114
Trade and other receivables	**4**	2
Cash and cash equivalents	**17**	–
Rental and other deposits	**–**	(15)
Amount due to a shareholder	**(3)**	–
Amount due to a fellow subsidiary	**(2)**	–
Creditors and accrued expenses	**(79)**	(12)
Deferred tax liabilities (note 11(c))	**(2)**	–
Current tax liabilities	**(2)**	–
Net assets	**926**	1,173
Interest in joint ventures	**(737)**	–
Release of exchange reserves	**(50)**	–
Professional charges	**3**	17
Net gain on disposal (note 7)	**140**	667
Total consideration	**282**	1,857
Representing:		
Cash consideration received	**282**	929
Instalment receivable	**–**	928
	282	1,857
Net cash inflow in respect of the disposal:		
Cash consideration received	**282**	929
Cash and cash equivalents disposed of	**(17)**	–
Professional charges paid	**–**	(17)
	265	912

35 Capital commitments

At 31 December 2014, the Group had capital commitments not provided for in these financial statements as follows:

		The Group	
		2014 HK$ million	2013 HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**9,458**	9,223
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**16,845**	18,119
		26,303	27,342
(b)	In relation to the capital commitments undertaken by joint ventures attributable to the Group:		
	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**1,879**	2,305
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**1,225**	146
		3,104	2,451

36 Significant leasing arrangements

At 31 December 2014, the Group was both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 17.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Within 1 year	**4,454**	4,138
After 1 year but within 5 years	**4,777**	4,340
After 5 years	**493**	612
	9,724	9,090

36 Significant leasing arrangements (continued)

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Within 1 year	**217**	140
After 1 year but within 5 years	**274**	33
	491	173

37 Contingent liabilities

At 31 December 2014, contingent liabilities of the Group and of the Company were as follows:

	The Group		The Company	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
(a) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	**–**	–	**26,711**	28,524
(b) Guarantees given by the Company to the holders of guaranteed notes issued by subsidiaries	**–**	–	**16,144**	18,213
	–	–	**42,855**	46,737

(c) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before the Completion. At 31 December 2014, the Group had contingent liabilities in this connection of HK$17 million (2013: HK$17 million).

(d) At 31 December 2014, the Company had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects amounting to HK$536 million (2013: HK$453 million).

(e) At 31 December 2014, the Company had given guarantees in the aggregate amount of HK$232 million (2013: HK$467 million) in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 31 December 2014.

37 Contingent liabilities (continued)

(f) At 31 December 2014, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,234 million (2013: HK$1,303 million) on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2014. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

38 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Other interest expense (note (i))	**218#**	318#
Sales of construction materials (note (iii))	**23**	–
Sales commission income (note (iii))	**19**	–
Administration fee income (note (ii))	**8**	7

(b) Transactions with associates and joint ventures

Details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Construction/repair and maintenance income (note (ii))	**580**	406
Rental expenses (note (iii))	**134**	136
Venue-related expenses (note (iii))	**60**	44
Management fee income (note (iii))	**31**	3
Loan arrangement fee income (note (iii))	**26**	–
Security guard service fee income (note (iii))	**23**	22
Other interest income (note (i))	**19**	44
Sales commission income (note (iii))	**13**	–
Rental income (note (iii))	**–**	1

38 Material related party transactions (continued)

(c) Transactions with related companies

Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Rental income (note (iii))	**15**	14
Tax indemnity receipt	**–**	4

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.

(ii) These transactions represent cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the directors. these transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amount due to a fellow subsidiary at 31 December 2014 and 2013 is referred to in the Group's consolidated balance sheet at 31 December 2014 and 2013, and the terms of which are set out in note 32. The amounts due from/to associates and joint ventures at 31 December 2014 and 2013 are set out in notes 20, 21, 26 and 29.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Property and leasing management service fee income and other ancillary property service fee income	**48#**	45#
Asset management service fee income	**81#**	75#
Rental expenses	**9**	9
Security service fee income	**2#**	2#

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2014, the amount due from Sunlight REIT amounted to HK$29 million (2013: HK$26 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 26).

38 Material related party transactions (continued)

(e) Transactions with a company owned by a director of the Company

Dr Lee Ka Kit, a director of the Company, through a company owned by him (the "entity") has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 31 December 2014, the advance by the entity to the abovementioned associate amounted to HK$80 million[#] (2013: HK$80 million[#]). Such amount is unsecured and has no fixed terms of repayment.

(f) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

\# *These related party transactions also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Interests in contracts and continuing connected transactions" in the Report of the directors set out in the Company's annual reports for the years ended 31 December 2014 and 2013.*

39 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 13.

40 Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

41 Immediate parent and ultimate controlling party

At 31 December 2014, the directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce financial statements available for public use.

Principal Subsidiaries

at 31 December 2014

Details of the principal subsidiaries are as follows:

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(a) Property development					
(i) Incorporated and operates in Hong Kong					
Asia Cheer International Limited		1	–	–	100
Borten Limited	(i)	1	–	–	100
Capital Matrix Limited		1	–	–	100
Carley Limited		2	–	–	100
City Castle Limited		1	–	–	100
Dynamic Hero Limited	(i)	1	–	–	100
Dynamic Talent Limited		1	–	–	100
Fairtex Development Limited		1	–	–	100
Gainbo Limited	(i)	2	–	–	100
Gentway Limited	(i)	1	–	–	100
Global Crystal Limited	(i)	1	–	–	100
Golden Sharp Limited		1	–	–	100
Harven Limited		10,000	–	–	100
Harvest Development Limited		840	–	–	82.86
Hung Shun Investment Company Limited	(i)				
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		20,000	–	–	100
Joinbo Enterprises Limited	(i)	1	–	–	100
Landrich Development Limited	(i)	1,000	–	–	100
Nation Sheen Limited	(i)	2	–	–	100
New Cheer Development Limited	(i)	1,000	–	–	100
Onfine Development Limited	(i)	2	–	–	100
Perfect Success Development Limited		2	–	–	100
Rich Silver Development Limited		2	–	–	100
Rise Cheer Investment Limited	(i)	1	–	–	100
Sky Rainbow Development Limited		10,000	–	–	100
Sunny Perfect Limited		1,000	–	–	100
Super Fortune Investment Limited	(i)	1	–	–	100
Supreme Hero Limited	(i)	1	–	–	100
Sure Partner Limited		1	–	–	100
Treasure Palace Limited		1	–	–	100
Triple Glory Limited	(i)	1	–	–	100
Union Citizen Limited	(i)	1	–	–	100
Victory Well Development Limited		2	–	–	100
Winjoy Development Limited	(i)	2	–	100	–

	Issued/ contributed registered capital	% of equity interest held by The Company	% of equity interest held by Subsidiaries	% of profit sharing by subsidiaries
(a) Property development (continued)				
(ii) Established and operates in mainland China				
Sino-Foreign Co-operative Joint Venture Enterprises				
Beijing Gaoyi Property Development Co., Ltd.	US$81,000,000	–	100	100
Beijing Henderson Properties Co., Ltd.	RMB655,000,000	–	100	100

	Note	Particulars of issued shares: Number of ordinary shares	Particulars of issued shares: Par value (note (ii)) HK$	% of shares held by The Company	% of shares held by Subsidiaries
(b) Property investment					
Incorporated and operates in Hong Kong					
Bloomark Investment Limited	(i)	2	–	–	100
Carry Express Investment Limited	(i)	10,000	–	–	100
Deland Investment Limited	(i)	2	–	–	100
Easewin Development Limited	(i)	2	–	–	100
Evercot Enterprise Company Limited	(i)				
– A Shares		500	–	100	–
– B Shares		2	–	–	–
Intelligent House Limited	(i)	2	–	–	100
Join Fortune Development Limited	(i)				
– A Shares		100	–	100	–
– B Shares		2	–	–	–
Millap Limited	(i)	2	–	100	–
Shung King Development Company Limited	(i)				
– Ordinary A Shares		2	–	100	–
– Non-voting deferred A shares		20,000	–	100	–
– B Shares		2	–	–	–
Union Fortune Development Limited	(i)	10,000	–	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(c) Finance					
(i) Incorporated and operates in Hong Kong					
Ever Supreme Development Limited		1	–	–	100
Henderson (China) Finance Limited	(i)	10,000	–	–	100
Henderson International Finance Limited		250,000	–	100	–
Henderson Land Credit (2010) Limited	(i)	1	–	–	100
Henderson Land Credit (2014) Limited	(i)	1	–	–	100
Henderson Land Credit (2015) Limited		1	–	–	100
Henderson Land Finance (2011) Limited	(i)	1	–	–	100
Henland Finance Limited	(i)	1,000,000	–	–	100
Post East Finance Company Limited		2	–	–	100
Rich Chase Development Limited	(i)	2	–	–	100
Success Crown Development Limited		2	–	–	100
(ii) Incorporated and operates in the British Virgin Islands					
Hansom Technology Limited	(i)	1	US$1	–	100
Henderson Land Finance Limited		1	–	100	–
Henderson Land MTN Limited	(i)	1	–	–	100
Henland Finance (2012) Limited		1	–	–	100
Henson Finance Limited	(i)	1	US$1	–	100
Midlink Limited	(i)	1	US$1	–	100
St. Helena Holdings Co. Limited		3	US$1	–	100
(iii) Incorporated in Singapore and operates in Hong Kong					
Henderson Land MTN (S) Pte. Limited	(i)	1	US$1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(d) Construction					
Incorporated and operates in Hong Kong					
E Man Construction Company Limited		350,000	–	100	–
Ginca Construction Machinery Limited		1	–	–	100
Granbo Construction Company Limited		1	–	–	100
Heng Lai Construction Company Limited		2	–	–	100
Heng Shung Construction Company Limited		2	–	–	100
Heng Tat Construction Company Limited		2	–	–	100
Hong Kong Concrete Precasting Product Company Limited		2	–	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(e) Property management					
Incorporated and operates in Hong Kong					
Beverly Hill (Estate Management) Limited		2	–	–	100
Flora Plaza Management Limited		10	–	–	60
Goodwill Management Limited		2	–	–	100
Hang On Estate Management Limited		2	–	–	100
Hang Yick Properties Management Limited		100,000	–	100	–
Henderson Sunlight Asset Management Limited	(i)	38,800,000	–	–	100
Henderson Sunlight Property Management Limited	(i)	1	–	–	100
Metro City Management Limited		2	–	–	100
Metro Harbourview Management Limited		2	–	–	100
Star Management Limited		2	–	–	100
Sunshine City Property Management Limited		2	–	–	100
Well Born Real Estate Management Limited		2	–	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding					
(i) Incorporated and operates in Hong Kong					
Banshing Investment Limited		2	–	–	100
Channel Best Limited	(i)	1	–	–	100
China Investment Group Limited		300,000	–	–	100
Citiright Development Limited		2	–	100	–
Covite Investment Limited		2	–	–	100
Darnman Investment Limited		2	–	–	100
Disralei Investment Limited					
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		1,000	–	–	100
Fondoll Investment Limited		2	–	100	–
Gainwise Investment Limited		2	–	–	100
Graf Investment Limited	(i)	2	–	–	100
Henderson China Properties Limited	(i)	3,000,000,000	–	–	100
Henderson Investment Limited		3,047,327,395	–	–	69.27
Macrostar Investment Limited					
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		2	–	–	100
Main Champion Development Limited	(i)	2	–	100	–
Markshing Investment Limited		2	–	–	100
Medley Investment Limited					
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		2	–	–	100
Mightymark Investment Limited		2	–	100	–
Mount Sherpa Limited	(i)				
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		2	–	–	100
Paillard Investment Limited	(i)				
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		2	–	–	100
Tactwin Development Limited	(i)	1,000	–	100	–
Wellfine Development Limited		55	–	100	–
Wiselin Investment Limited	(i)	2	–	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding (continued)					
(ii) Incorporated in Hong Kong and operates in mainland China					
Hang Seng Quarry Company Limited	(i)	10,000	–	64	–
(iii) Incorporated and operates in the British Virgin Islands					
Cobase Limited	(i)	1	–	–	100
Comax Investment Limited		1	–	–	100
Higgins Holdings Limited	(i)	1	US$1	–	100
Multiglade Holdings Limited	(i)	1	US$1	–	100
Richful Resources Limited	(i)	1	–	–	100
Starland International Limited	(i)	1	US$1	100	–
Sunnice Investment Limited		1	–	–	100
Threadwell Limited	(i)	1	US$1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(g) Department store operation					
Incorporated and operates in Hong Kong					
Citistore (Hong Kong) Limited	(i)	1	–	–	69.27

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(h) Hotel management and operations					
Incorporated and operates in Hong Kong					
Henderson Hotel Management Limited	(i)				
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		2	–	–	100
Newton Hotel Hong Kong Limited	(i)				
– Ordinary shares		2	–	–	100
– Non-voting deferred shares		2	–	–	100
Newton Inn (North Point) Limited	(i)	2	–	100	–
Newton Place Hotel Limited	(i)	1	–	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(i) Management and agency services					
Incorporated and operates in Hong Kong					
Henderson Leasing Agency Limited	(i)	1	–	–	100
Henderson Property Agency Limited		200,000	–	–	100
Henderson Real Estate Agency Limited	(i)	2	–	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value (note (ii)) HK$	% of shares held by The Company	Subsidiaries
(j) Professional services and others					
Incorporated and operates in Hong Kong					
Hang Oi Charitable Foundation Limited		–	–	–	100
Henderson Warmth Foundation Limited		–	–	100	–
Megastrength Security Services Company Limited	(i)				
– Ordinary shares		10,000	–	–	100
– Non-cumulative preference shares		400	–	–	100
Standard Win Limited	(i)	1	–	–	100

	Issued/ contributed registered capital RMB	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(k) Infrastructure				
Established and operates in mainland China				
Sino-Foreign Equity Joint Venture Enterprise				
Hangzhou Henderson Qianjiang Third Bridge Company, Limited	200,000,000	–	60	60
Sino-Foreign Co-operative Joint Venture Enterprise				
Tianjin Jinning Roads Bridges Construction Development Company Limited	23,680,000	–	70	70

Note:

(i) Companies audited by KPMG.

(ii) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), shares of companies incorporated in Hong Kong no longer have a par or nominal value with effect from 3 March 2014.

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Associates

at 31 December 2014

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Listed			
Hong Kong Ferry (Holdings) Company Limited	–	33.33	Property development, property investment, ferry, shipyard and related businesses, travel operation and securities investment
Miramar Hotel and Investment Company, Limited	–	45.08	Property rental, hotel and service apartment, food and beverage operation and travel operation
The Hong Kong and China Gas Company Limited	–	41.51	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses
Unlisted			
Star Play Development Limited	–	33.33	Property investment

The above list gives the principal associates of the Group which, in the opinion of the directors, significantly affect the profit or assets of the Group.

Principal Joint Ventures

at 31 December 2014

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Best Value International Limited	–	50	Acquisition and development of properties and investment holding
Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	34.21	Investment holding
Double Cove Management Limited	–	50	Provision of property management services
Long Global Investment (Chengdu) Limited (established and operates in mainland China)	–	30	Property development
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Teamfield Property Limited	–	49.18	Property development
The Reach Management Limited	–	50	Provision of property management services

The above list gives the principal joint ventures of the Group which, in the opinion of the directors, significantly affect the profit or assets of the Group.

Corporate Information

Board of Directors

Executive Directors

Dr Lee Shau Kee
(Chairman and Managing Director)
Dr Lee Ka Kit *(Vice Chairman)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Lee Ka Shing *(Vice Chairman)*
Yip Ying Chee, John
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Lau Yum Chuen, Eddie
Li Ning
Kwok Ping Ho
Wong Ho Ming, Augustine

Non-executive Directors

Lee Pui Ling, Angelina
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
Leung Hay Man
Professor Poon Chung Kwong
Dr Chung Shui Ming, Timpson
Au Siu Kee, Alexander

Audit Committee

Kwong Che Keung, Gordon*
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong*
Dr Lee Shau Kee
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

Nomination Committee

Dr Lee Shau Kee*
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

* *Committee Chairman*

Corporate Governance Committee

Dr Chung Shui Ming, Timpson*
Leung Hay Man
Professor Poon Chung Kwong

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

Telephone	:	(852) 2908 8888
Facsimile	:	(852) 2908 8838
Internet	:	http://www.hld.com
E-Mail	:	henderson@hld.com

Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

KPMG

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Standard Chartered Bank

Group Executives

Dr Lee Shau Kee
GBM, DBA (Hon), DSSc (Hon), LLD (Hon)
General Manager

Dr Lee Ka Kit
JP, DBA (Hon)
Deputy General Manager

Dr Lam Ko Yin, Colin
FCILT, FHKIoD, DB (Hon)
Deputy General Manager

Lee Ka Shing
Deputy General Manager

Yip Ying Chee, John
LLB, FCIS
Assistant General Manager

Departmental Executives

Group Business Development Department

Yip Ying Chee, John
LLB, FCIS
Executive Director

Project Management (1) Department

Yu Wai Wai
JP, BA (AS), B Arch, HKIA, HonFHKIPM,
Authorized Person (Architect), Registered Architect (HK)
General Manager

Project Management (2) Department

Kwok Man Cheung, Victor
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
General Manager

Siu Sing Yeung, Tony
B. Arch (Hons), HKIA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department

Wong Ho Ming, Augustine
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
Executive Director

Leung Shu Ki, Shuki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT, MCIArb, AHKIArb
Deputy General Manager

Property Planning Department

Leung Kam Leung
MSc, PGDMS, FHKIS, FRICS, RPS (GP)
General Manager

Construction Department

Wong Wing Hoo, Billy
BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Chan Wai Yin, Desmond
APHK
Deputy General Manager

Engineering Department

Cheng Yuk Lun, Stephen
BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE,
Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification
Senior General Manager

Loke Hing Wa, Eric
BEng, MSc(Env.Man.), MSc(Eng), MSc(Geosciences), MSc(Construction Law), CEng, MIStructE, MHKIE, RPE, RSE, 1RSE-PRC
General Manager

Building Quality Planning Department

Lam Sik Kong, Eddy
General Manager

Sales Department
Wong Man Wa, Raymond
LLB, PCLL, Solicitor
Senior General Manager

Sales (1) Department
Lam Tat Man, Thomas
MEM(UTS), DMS, EHKIM, MHIREA,
CHINA GBL MANAGER
General Manager

Sales (2) Department
Hahn Ka Fai, Mark
BSc, MRICS, MHKIS, RPS (GP)
General Manager

China Sales Centre
Choi Ngai Min, Michael
JP
In Charge

Portfolio Leasing Department
Lee Pui Man, Margaret
BHum (Hons)
Senior General Manager

Sit Pak Wing, Patrick
ACIS, FHIREA
General Manager

Property Management Department
Suen Kwok Lam
JP, MH, FHIREA
Executive Director

Retail and Hotel Management Department
Li Ning
BSc, MBA
Executive Director

Comm.& Ind. Properties Department
Ng Ngok Kwan
General Manager

General Manager Department
Ngai Tung Hai, Karsky
FRICS, MHKIS, AACI
Manager

Dr Wong Kim Wing, Ball
BA(AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
Group Consultant

Finance Department
Lau Yum Chuen, Eddie
Executive Director

Lee King Yue
Executive Director

Kwok Ping Ho
BSc, MSc, Post-Graduate Diploma in Surveying, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Treasurer

Human Resources Department
Dr Lam Ko Yin, Colin
FCILT, FHKIoD, DB (Hon)
Executive Director

Wong Ying Kin, Frankie
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Liu Cheung Yuen, Timon
BEc, FCPA, CA (Aust), FCS, FCIS
General Manager

Accounts Department
Wong Wing Kee, Christopher
BSc (Econ), FCA
General Manager

Audit Department
Choi Kam Fai, Thomas
B Comm, CMA
General Manager

Information Technology Department
Au Tit Ying
BSc, Grad Dip Com (IS)
General Manager

Corporate Communications Department
Ngan Suet Fong, Bonnie
BBA
General Manager

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Tuesday, 2 June 2015 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2014.

2. To declare a Final Dividend (with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme).

3. To re-elect retiring Directors.

4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

   (A) "**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares of the Company to be issued pursuant to this Resolution, and upon the recommendation of the Directors, such number of new shares of the Company (the "Bonus Share(s)") which is equal to one-tenth of the total number of the issued shares in the Company on 10 June 2015 be allotted and issued without consideration to and among the Shareholders of the Company whose names are on the Register of Members on 10 June 2015 on the basis of one Bonus Share for every ten shares in the Company held by such Shareholders of the Company on such date, and that the Bonus Shares to be allotted and issued pursuant to this Resolution shall rank pari passu in all respects with the existing issued shares in the Company except that they will not be entitled to participate in any dividend declared or recommended by the Company in respect of the financial year ended 31 December 2014 and that the Directors be and are hereby authorised to deal with any fractions arising from the distribution by the sale of the Bonus Shares representing such fractions and to retain the net proceeds for the benefit of the Company and further that the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the issue of the Bonus Shares."

   (B) "**THAT**:

      (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to buy back shares of the Company on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

      (b) the aggregate number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(C) "**THAT**:

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period all the powers of the Company to allot, issue and deal with additional shares of the Company, and to make or grant offers, agreements or options (including, without limitation, Rights Issue, warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company), which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(D) "**THAT**:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (C) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the Company bought back by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares under the authority granted pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period)."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 27 April 2015

Registered Office:
72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) *At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.*

(2) *A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one proxy or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof or, in the case of poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll.*

(3) *For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 28 May 2015.*

(4) *For the purpose of determining Shareholders who qualify for the proposed issue of final dividend and Bonus Shares, the Register of Members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed issue of final dividend and Bonus Shares, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 5 June 2015. The proposed issue of final dividend and Bonus Shares will be distributed to Shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015.*

(5) *A circular containing details of the Ordinary Resolutions (A) and (B) (including the relevant explanatory statement) of item 5 above, and a circular containing the proposed scrip dividend scheme will be sent to Members for perusal.*

(6) *Concerning Ordinary Resolutions (C) and (D) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the total number of the issued shares plus the aggregate number of shares bought back by the Company pursuant to the general mandate approved in Ordinary Resolution (B) of item 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.*

(7) *If Ordinary Resolutions 2 and 5(A) above are approved, the final dividend will be paid on Thursday, 9 July 2015 and share certificates for the Bonus Shares will be dispatched to the Shareholders of the Company on the same day.*

Financial Calendar

Interim Results	Announced on Tuesday, 26 August 2014
Final Results	Announced on Monday, 23 March 2015
Annual Report	Posted to Shareholders on Monday, 27 April 2015
Closure of Register of Members	(1) To be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015 for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting (2) To be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015 for the purpose of determining Shareholders who qualify for the proposed final dividend (with an option for scrip dividend) and Bonus Shares
Annual General Meeting	To be held on Tuesday, 2 June 2015
Dividends – Interim	HK$0.34 per share (with an option for scrip dividend) – paid on Tuesday, 21 October 2014
– Final (Proposed)	HK$0.76 per share (with an option for scrip dividend) – payable on Thursday, 9 July 2015
– Bonus Shares (Proposed)	one bonus share for every ten shares held
Issue of Bonus Shares (Proposed)	Share Certificates to be posted to Shareholders on Thursday, 9 July 2015

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Environmentally friendly paper has been used in the production of this annual report.

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED