Insightful Vision

2014 | ANNUAL REPORT

恒隆地產
HANG LUNG PROPERTIES

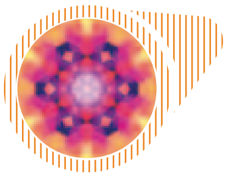
HANG LUNG PROPERTIES LIMITED
STOCK CODE: 00101

Design Concept

Insightful Vision is the theme for the 2014 annual report of Hang Lung Properties Limited (stock code: 00101). The five main sections in the annual reports are represented by a global eye, a kaleidoscope, a microscope, a telescope and a hand gesture symbolizing glasses, respectively, reflecting the penetrating, multifaceted, meticulous, macroscopic and caring aspects of our "insightful vision" for creating world-class commercial projects in Hong Kong and mainland China.

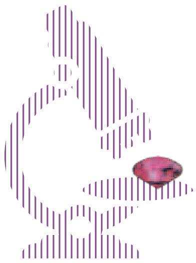
PENETRATING INSIGHTS

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



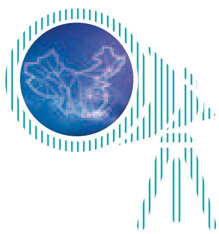
MULTIFACETED DESIGN

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



METICULOUS DETAIL

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



MACROSCOPIC VIEWS

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

CARING INSIGHTS

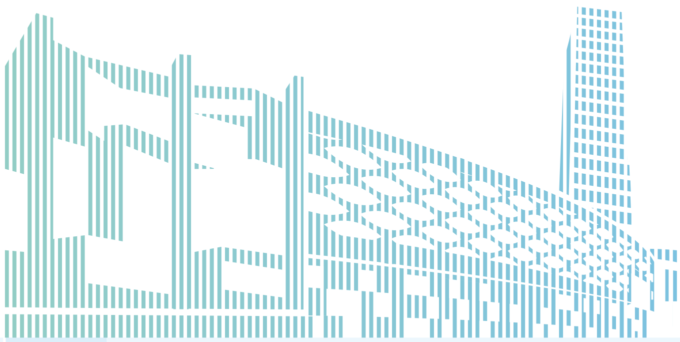
A human touch; a gesture that is suggestive of caring watchfulness – here we see the importance placed on being people-oriented and bringing the human touch to our relationships with clients, staff, society and the environment in which we live.

We Do It Right

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

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

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



CONTENTS

Corporate Profile

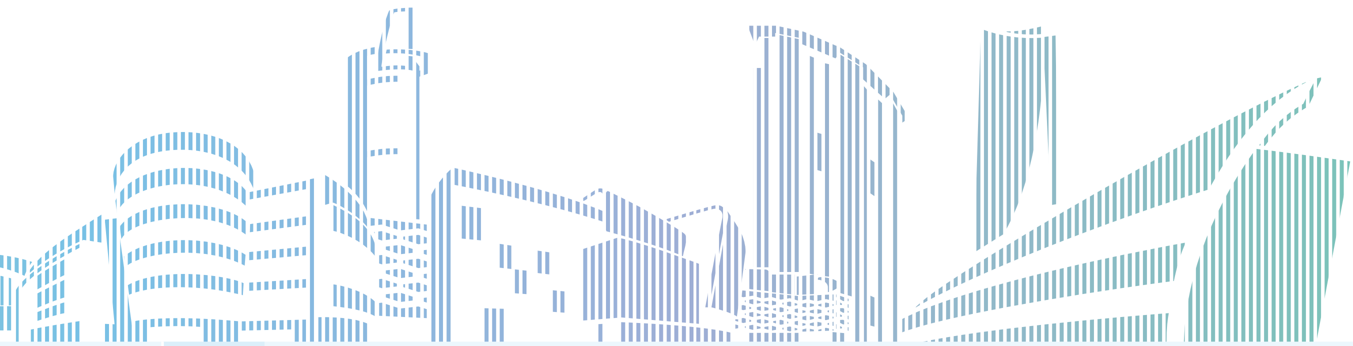
Hang Lung Properties Limited (stock code: 00101) is the property arm of Hang Lung Group Limited (stock code: 00010).

We are a top-tier property developer in Hong Kong and on the Mainland with a recognized commitment to quality.

We are a truly diversified property development company with a varied portfolio of commercial, office, residential, serviced apartment, industrial/office and car park properties. Our primary focus is to acquire the best sites in the cities with growth potential and employ only the top architectural firms to achieve the highest design quality and develop the best properties.

In Hong Kong and on the Mainland, our corporate strategy is to constantly review and, where necessary, upgrade our tenant mix while regularly refurbishing our existing developments so as to achieve a maximum return on our investments. We also emphasize value-added services and incentives, which add to the appeal and marketability of our properties.

Our long-term vision is to expand on the Mainland while continuing to invest in our home market of Hong Kong. As our business will certainly continue to grow, we are set to develop into the most admired and leading national commercial property developer.



Financial Highlights

RESULTS

For the year ended December 31

in HK$ Million (unless otherwise stated)	2014	2013
Turnover		
Property leasing	7,216	6,638
Mainland China	3,916	3,526
Hong Kong	3,300	3,112
Property sales	9,814	2,500
Total turnover	17,030	9,138
Net profit attributable to shareholders	11,704	7,212
Dividends	3,409	3,359
Shareholders' equity	132,327	124,534
Per share data		
Earnings	$2.61	$1.61
Dividends		
Total	$0.76	$0.75
Interim	$0.17	$0.17
Final	$0.59	$0.58
Shareholders' equity	$29.5	$27.8
Net assets	$31.0	$29.3
Financial ratio		
Payout ratio	29%	47%
Net debt to equity ratio (Note 1)	Net cash	0.5%
Debt to equity ratio	25.2%	26.7%

UNDERLYING RESULTS

For the year ended December 31

in HK$ Million (unless otherwise stated)	2014	2013
Underlying net profit attributable to shareholders (Note 2)	10,022	5,050
Earnings per share (Note 3)	$2.24	$1.13
Payout ratio (Note 3)	34%	66%

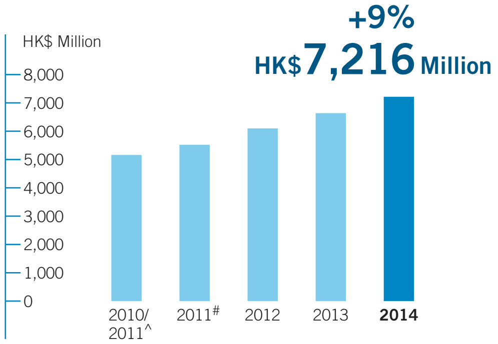
Notes:

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

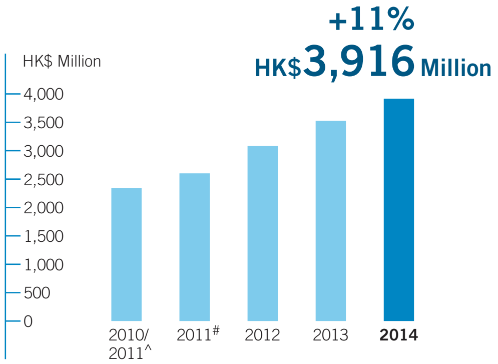
SUSTAINABLE TURNOVER AND PROFIT GROWTH

Rental Turnover

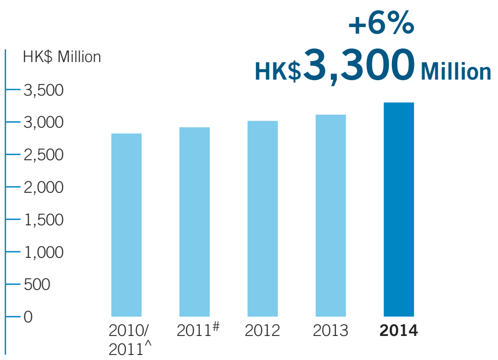
Overall



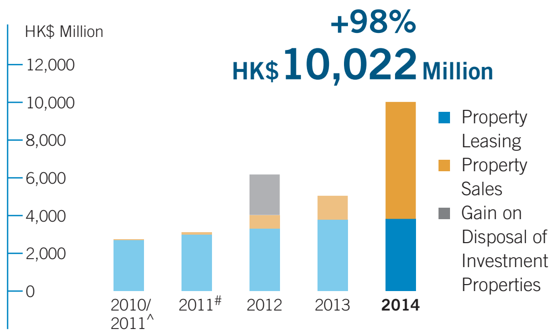
Mainland China



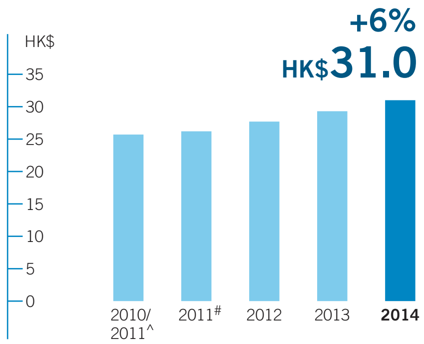
Hong Kong



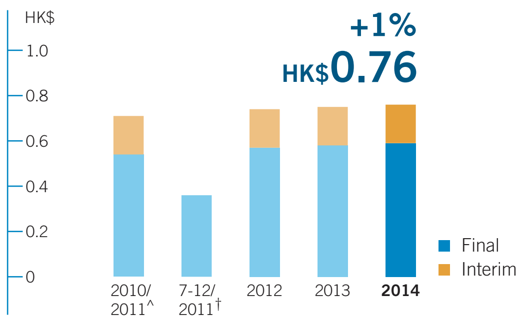
Underlying Net Profit



Net Assets per Share



Dividends per Share



^ Financial year ended June 30

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

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

2014 Highlights

Remarkable Results

Turnover

HK$17,030 Million ▲86%

Operating Profit

HK$13,008 Million ▲90%

Strong Financial Position

Net Assets at year end

HK$139 Billion

Cash and Bank Balances at year end

HK$40 Billion

Record High Property Sales

Property Sales Turnover

HK$9,814 Million ▲2.9 times

151 units
The Long Beach

412
Residential Units Sold

261 units
The HarbourSide

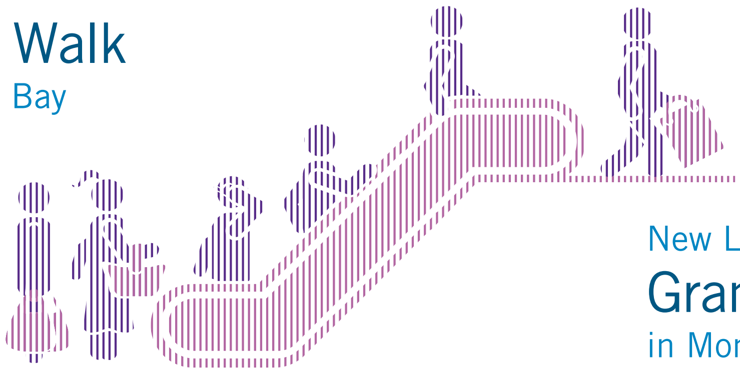
New Properties in Mainland China Commenced Operation

Riverside 66,
Tianjin

Center 66 Office Tower,
Wuxi

Asset Enhancement Initiatives in Hong Kong

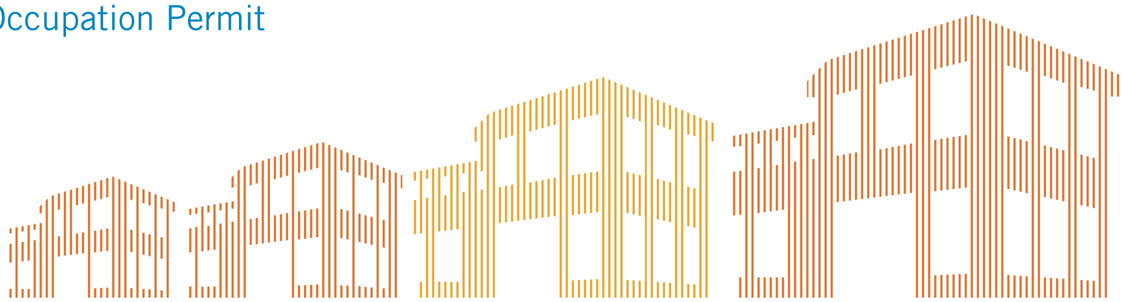
New Face of
Fashion Walk
in Causeway Bay



New Look of
Grand Plaza
in Mongkok

Completion of 23-39 Blue Pool Road in Hong Kong

18 luxurious semi-detached houses obtained Occupation Permit



COMPANY ACHIEVEMENTS

APR

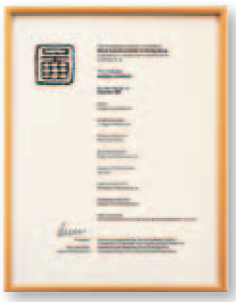
- Hang Lung Properties clinched five top honors at the 4th Asian Excellence Recognition Awards 2014 presented by Corporate Governance Asia
  - Best Investor Relations Company (Hong Kong)
  - Best CSR Company (Hong Kong)
  - Best Environmental Responsibility Company (Hong Kong)
  - Managing Director Mr Philip Chen was named one of Asia's Best CEO's (Investor Relations)
  - Assistant Director – Corporate Communication Mr Chuk Fai Kwan was named as the Best Investor Relations Professional (Hong Kong)

- Hang Lung Properties won the title of Manpower Developer in the ERB Manpower Developer Award Scheme organized by the Employees Retraining Board

MAY

- Hang Lung Properties was voted the Best Corporate Social Responsibility company in the Asia's Best Companies Poll 2014 conducted by FinanceAsia

JUN



- Center 66 in Wuxi won a Merit Award in The Hong Kong Institute of Architects Annual Awards 2013 in the Outside Hong Kong – Commercial Building category
- Spring City 66 (Serviced Apartment) in Kunming was awarded Precertification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level issued by the U.S. Green Building Council
- Hang Lung Properties was honored with the Customer Relationship Excellence – Outstanding Achievement title and garnered the People Development Program of the Year (Property Management), Employee Engagement Program of the Year (Property Management) and Corporate Social Responsibility Leadership of the Year (Property Management) at the Asia Pacific Customer Relationship Excellence Awards 2013 presented by the Asia Pacific Customer Service Consortium

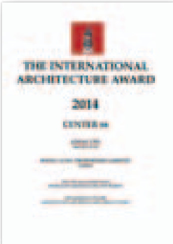
- Hang Lung Properties was named a Distinguished Family-Friendly Employer for the second time under the 2013/14 Family-Friendly Employers Award Scheme organized territory-wide by the Family Council

AUG

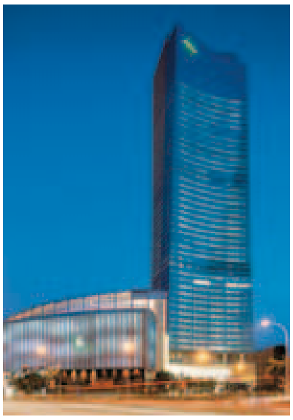
- Hang Lung Properties' FY2013 annual report won the Honor Award in the internationally renowned ARC Awards 2014 in the category of Traditional Annual Report: Real Estate Development/SVC – Retail/Shopping Centers presented by MerComm, Inc. of the United States

SEP

- Grand Opening of Riverside 66, Tianjin
- Center 66 in Wuxi was awarded The International Architecture Award 2014 presented by The Chicago Athenaeum: Museum of Architecture and Design and The European Center for Architecture Art Design and Urban Studies



OCT



- Office Tower of Center 66 in Wuxi commenced operation
- Center 66 in Wuxi won the top honor in the prestigious 2014 Cityscape Awards for Emerging Markets in the category of Built Retail Project
- Galaxy Awards 2014: Bronze Award in the category of Annual Reports – Overall Presentation: Real Estate.
- Hang Lung Properties was honored as Asia's Icon on Corporate Governance at the 10th Corporate Governance Asia Recognition Awards – The Best of Asia 2014 organized by Corporate Governance Asia. Mr Philip Chen, Managing Director of Hang Lung Properties, was named a winner of the Asian Corporate Director Recognition Award.

NOV

- Heartland 66 in Wuhan was awarded Precertification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level for its shopping mall, office tower and serviced apartments, issued by the U.S. Green Building Council
- e-Connections was awarded the Bronze Award in the international 2014 iNova Awards under the Microsite category

DEC

- 23-39 Blue Pool Road project in Hong Kong won the silver award in the category of Best Residential Development in the 2014 MIPIM Asia Awards

- Center 66 in Wuxi won the silver award in the category of Best Mixed-Use Development in the 2014 MIPIM Asia Awards
- Ms Bella Chhoa, Company Secretary, General Counsel and Assistant Director – Corporate Affairs, won the 2nd Asian Company Secretary of the Year 2014 award

- Hang Lung Properties Limited received the Hong Kong Corporate Governance Excellence Awards 2014 from the Chamber of Hong Kong Listed Companies

- Hang Lung Properties was presented with the Employer of Choice Award 2014 by JobMarket for its creative staff recruitment and development initiatives

Penetrating Insights

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

The HarbourSide,
Hong Kong

Palace 66,
Shenyang


23-39 Blue Pool Road,
Hong Kong

Chairman's Letter to Shareholders

RESULTS AND DIVIDEND

For the year ended December 31, 2014, turnover soared 86% to HK$17,030 million. Net profit attributable to shareholders jumped 62% to HK$11,704 million. Earnings per share rose similarly to HK$2.61.

When excluding revaluation gain, related deferred taxes and minority interests, the underlying net profit after tax nearly doubled to HK$10,022 million. Underlying earnings per share rose likewise to HK$2.24.

The Board recommends a final dividend of HK59 cents per share which is 1.7% higher than the previous year. If approved by shareholders, total dividend per share for the year ended December 31, 2014 will be HK76 cents, an increase of 1.3% over the previous year.

BUSINESS REVIEW

I told shareholders six months ago that I intended to lengthen the letter at mid-year while at times slightly shorten the year-end one in order to better communicate with them. In so doing, management thinking will be shared twice yearly in a more timely manner. A few shareholders, both institutional and individual, have expressed the value they place on this letter and their wish that the amount of information will not be diminished as a result of this change. I can assure them that they have nothing to worry about. The same effort will be given as before except they would now hear from me more fully on the same substance – economic and market analysis as well as company strategy – every six months instead of every twelve.

We recorded the highest turnover and underlying net profit attributable to shareholders in the history of the Company. Net profit attributable to shareholders was not the highest because of low revaluation gains. While our rental business performed barely acceptably,

Ronnie C. Chan
Chairman

property sales in Hong Kong was strong. We took advantage of market opportunities and parted with 261 units at The HarbourSide and 151 at The Long Beach together with 93 car parks. All in all, we brought in about HK$9.8 billion. Profit therefrom was over HK$7.4 billion, yielding a blended margin of 76%. For The HarbourSide, the margin achieved was 78% and for The Long Beach, 62%.

With only 10 units and 153 car parks left at The HarbourSide, it is perhaps time to take stock of the events over the past decade or two. After the Asian Financial Crisis struck on July 2, 1997, property prices began to plummet in early 1998. A land sales moratorium was imposed by the HKSAR government. Once it was lifted in the spring of 1999, MTR Corporation, the railway company, was the first to sell land. As a pure property concern, we prepared well our finances before the crisis, and so we sat on a lot of cash. Only one other developer was in that enviable position. That company had non-real estate businesses which provided liquidity, although they incurred much loss in property developments. Consequently, they were perhaps psychologically less prepared than we were to buy land. We won auction after auction at very reasonable land prices.

The HarbourSide,
Hong Kong

The HarbourSide piece was the first, and subsequent events have proven the price to be the most reasonable, especially given the waterfront location with one of the world's best harbor views.

When we first sold The HarbourSide apartments in 2004, the market was just recovering. The effects of the Asian Financial Crisis lingered until 2002, which was followed by SARS in 2003. Being financially strong, we saw little reason to hurry the sales program. Then a most amazing thing happened.

By 2004/2005, the effects of the Asian Financial Crisis and SARS had subsided. However, the government was determined not to release land for sale. For reasons given above, I could understand why it did so in the years between 1998 and 2004, but to continue for another 6-7 years was inexplicable. Some of us petitioned the government to release land but that fell on deaf ears. Without land supply, housing prices had nowhere to go but up.

We responded to this externality, which was totally out of our control, by withholding completed apartments from the market. We simply waited for the inevitable higher prices, as holding costs should not exceed the rate of value increase. Only in the past few years when the new government reversed its policy did we release the bulk of the units onto the market. The result was that profit margins kept rising until the last batch when it peaked at 78%.

We dare not say that prices for our unique harbor view apartments will not continue to rise. But as I had written two years ago, we should not be overly greedy, hence the parting of basically all the units. We also foresaw that the present government will sooner or later massively sell land to catch up, as higher residential prices have already become a huge social problem. This has now come to pass.

All told, the entire project of 1,122 units once sold out at today's prevailing prices will bring a pre-tax profit of over HK$17 billion net to the Company. It is unlikely that I will in my career witness a more lucrative project. It was a convergence of factors, some within our control such as buying land at the right time and the decision to withhold selling, and others not, like erroneous government land policies, which have contributed to making this one of the most profitable real estate projects in the history of Hong Kong.

In local circles, there has been some public debate on the merits of our slow sales program. Different companies have different strategies and there is no single correct answer. Most firms treat housing development more or less as a production line. They buy raw material (i.e. land) in order to keep churning out products (apartments). They are not as keen as we are to time land purchase or apartment sales. Maximizing profit of any particular development is only one of their several considerations and may not be the chief one. Keeping the pipeline flowing to generate cash flow may be more important. We just happen to have a different strategy.

With very few new projects in Hong Kong, and judging that home prices would keep rising, we simply took our time selling The HarbourSide and The Long Beach. Our aim was to maximize profit and we have done well so far.

Fashion Walk,
Hong Kong

Our emphasis over the past decade has increasingly shifted to commercial property development and investment on the Mainland. We deem the Hong Kong property sales market to be less attractive and so we will only buy land when there are exceptional bargains. To be sure, we are not bearish about Hong Kong; we are constantly waiting for possible market changes which will lure us back. In the meantime, we are very busy constructing world-class commercial complexes for rent on the Mainland. We started to acquire land outside of Shanghai in 2005 and completed products began to hit the market in 2010.

Let me turn now to our investment property business. Total turnover was over HK$7.2 billion – 46% from Hong Kong and 54% from the Mainland. In terms of operating profit, it was about 50/50. Overall rents received advanced by 9%, 6% in Hong Kong and 11% on the Mainland. If we exclude the two newest malls of Wuxi Center 66 and Tianjin Riverside 66, organic growth on the Mainland was 3%.

The 79-day Occupy Central protests in Hong Kong has hurt tenant sales. We are major property owners in two of the affected districts of Mong Kok and Causeway Bay. Shops have reported an 18% drop in business. As landlords, we are protected by property leases, but the impact on our innocent tenants was immediate. If the protests were allowed to continue, they would sooner or later affect our rental income. Fortunately they ended, and ended in a peaceful way.

The Mainland market had a different kind of challenge. Before analyzing our performance, let us first take a look at the overall economy.

Objectively speaking, the economic situation is not that bad. It is just that many foreign experts have, in recent years, somehow written China off because of its slower growth. Your management believes that there may soon come a time when they will be proven overly bearish. The present pessimism is in my opinion partly justifiable and partly misjudged. For example, local government debt and the weak residential market are both troubling, but neither has had a serious detrimental effect on the wider economy. These problems are not as big as some investors or analysts have thought. Yet many of them have oversold the market.

Consider some of the fundamentals. As the U.S. economy recovers, Chinese exports will follow suit. This will help work off some of the excess inventory. The process will be slow since Europe, traditionally the other major and in fact the biggest importer of Chinese manufactured goods, is not growing. The weakening yen will not boost exports to Japan in the near term. Hopefully Southeast Asia, Latin America, the Middle East and Africa will take up some slack. Overall, exports are steady and, in any event, growing faster than imports. Given recent oil price declines, China’s trade surplus will remain high.

Believing that excess liquidity, which is a legacy of the 2008/2009 trauma, has been substantially worked off, Beijing is once again loosening credit, albeit cautiously. Interest rates of late have been lowered. Public investments are running strong.

Unlike the first three quarters of last year, residential sales volume, and in some cases even prices, have of late risen nicely. So much so that in first-tier cities, land auctions are again breaking records. Full-year home sales, both in terms of total units and dollar amount, have surpassed those of 2013. Four months ago, few would have predicted this. By historical standards, the balance sheets of property companies are relatively healthy.

In this not-too-bad economic state of affairs, high-end consumption is a weak link. The effects of the continued anti-corruption efforts may yet last for some time. While lower price point products are easily sold through the Internet, sales of luxury goods are affected for the time being due to government policy. Since factors affecting our luxury brand tenants are not primarily economic but political, it is hard to predict when we will reach a “new normal”. We are definitely facing the most challenging years for our Mainland investment property business in 15 years. Two and a half years ago, I wrote that our industry would take longer to recover from the present downturn than it did after the 2008/2009 financial crisis. The prediction was correct, but the time to recovery might be even longer than we had expected. Frankly, we cannot see the end of it at this stage.

On the surface, our full-year results were quite acceptable. We saw rental growth in all but one mall. Careful examination, however, reveals certain concerns. What is critical here is to understand their fundamental causes, something which I will address later.

Rental turnover grew in all of our Mainland properties except one – Jinan Parc 66. In Shenyang, Forum 66 where rents increased, the rate has slowed down from the year before. In Shanghai, Plaza 66 held steady and Grand Gateway 66 went up a little, while in Shenyang, Palace 66 registered another rental growth at 4%.

With the exception of Parc 66, average unit rent went up in all our developments. Management however is cautious about the short-term outlook especially for Shenyang Forum 66 and the offices in Shanghai Plaza 66. In the latter facility, oversupply in Puxi, especially in our neighborhood, has put pressure on rent renewals.

In the newer malls of Wuxi Center 66 and Tianjin Riverside 66, occupancy is still rising as more shops commit. Those who have signed up are moving in. The two shopping centers in Shanghai are fine while Palace 66 will improve further. Parc 66 and Forum 66 are struggling a bit, while Center 66 will continue to find its optimal tenant mix.

Riverside 66,
Tianjin

Rental margins in non-mature facilities (i.e. those outside of Shanghai) have yet to improve. Marketing expenses and other costs related to a newer mall are still necessary, and it will take the second lease cycle to gradually improve.

Tenant retail sales showed a mixed picture. Palace 66 grew by 12% but Plaza 66 fell by 4% and Parc 66 by 2%. Grand Gateway 66 and Forum 66 both improved slightly.

Footfall numbers also vary from mall to mall. Parc 66 is an interesting case: while results above indicate that it is still undergoing teething problems, the number of visitors is holding up. This means shoppers are spending less, which is the case almost everywhere in the country.

Recent public information on global luxury brands confirms a difficult trading environment. Hardly any of them did well in China. This is different from fast retailing which has performed much better.

An area where management was somewhat pleasantly surprised was office leasing in Wuxi Center 66. The first of the two towers has a gross floor area of almost 90,000 square meters. When it opened during the fourth quarter of last year, occupancy stood at 29%. Now about 50% of the space is committed. The number is expected to climb further in the coming months. Rental rates are acceptable.

The first office tower in Shenyang Forum 66 is much larger, a gross floor area of over 191,000 square meters, of which slightly less than 50,000 square meters will be a 5-star hotel. We are now in final negotiations with international hotel management chains. When the office portion opens later this quarter, it is expected to be 20% committed. Rents are slightly higher than those in Center 66.

As to the unleveraged gross rental return on investment cost, the two Shanghai properties achieved 44%. In Shenyang, Palace 66 improved to 5% and Forum 66 between 9 and 10%. Jinan Parc 66's rental yield was between 7 and 8%, and Wuxi Center 66 over 9%. When the first Wuxi office tower is fully leased, the blended number for the entire development should be around 6-7%.

In terms of tenant mix, the two mature Shanghai malls have experienced a phenomenon considerably different from the other centers. As I have previously written, on the Mainland, luxury brands continue to concentrate in fewer stores and locations. For example, at Plaza 66, Chanel, Celine, Tod's and Escada have just completed their expansion plans, while Prada and Bottega Veneta are underway. As for our newer 4-star malls, we are bringing in more non-conventional shops, entertainment outfits and lifestyle luxury names. Jinan Parc 66 is a prime example and management expects an improved performance not unlike what Shenyang Palace 66 has experienced in the past two years.

Our financial position remains extremely strong. The Company is basically debt-free (i.e. zero net debt) at year end for the ninth consecutive year except 2013. During that period, we have committed to invest some HK$92 billion in new projects on the Mainland (i.e. everything outside of Shanghai), of which approximately 54% has been expensed. This may be unheard of anywhere in the real estate industry. Yet the magic of a volatile and extraordinarily high unit price environment of Hong Kong coupled with the huge and fast-evolving market of the Mainland have made this possible.

I consider it my great fortune to be in this sector for the past twenty-some years to capture this once-in-a-lifetime opportunity. To top it off, vacillating market sentiments notwithstanding, no other economic phenomenon will be more certain than the continued rise of China's consumers. This plays well into the mainstay of our business. The solid foundation we have built over the past two decades should carry the company forward powerfully.

PROSPECTS

It is not easy to foresee a situation where government policy or market forces will significantly change the retail scene in both Hong Kong and the Mainland. As a result, it is safe to expect a rental prospect for the coming year to be similar to that of 2014.

We still have 708 units at The Long Beach which remain unsold. Market sentiments permitting, we will sell what we can. The same goes for the remaining units at The HarbourSide and elsewhere. If the price is right, we can also part with the 18 highly coveted luxury homes on Blue Pool Road. However, we are not in a hurry. Unlike low unit cost products, the price for deluxe housing can be very elastic. As before, we look to maximize profit.

Plaza 66,
Shanghai

If we manage to sell out all of these, turnover and profit may surpass that of 2014. This, however, is not a realistic prospect, which means this year's profit will likely be lower than that of the year under review.

Next, I want to discuss the important subject of changes in management orientation to meet evolving market conditions. However, I will take an approach which my loyal readers know is atypical of me. I will first review our share price which is the main concern of investors but less so of management. As I have always maintained, we are here to manage the Company and not share price movements. I am a firm believer that as long as the Company is strategically sound, operationally healthy and sustainably profitable given acceptable risks, its stock price will sooner or later reflect reality.

When Hang Lung Development, the predecessor entity to our parent Hang Lung Group, was first listed on the Hong Kong Stock Exchange in 1972, we had one of the biggest market capitalizations among all local real estate companies. In the ensuing two decades, we underperformed because of over-conservatism which led to strategic mistakes and missed opportunities. By the time I took over the chairmanship in January 1991, we were way down in the size-league table of local developers.

The 1990's was a time when then new Managing Director Mr Nelson Yuen and I strived to reorient the business. Many changes were introduced which led to what almost became a brand new company. For one, we led the firm into mainland China. We also timed the market in Hong Kong and tried to avoid making serious mistakes. We took every opportunity to strengthen our financial position and waited for the big break. Opportunity finally came in the form of the Asian Financial Crisis in 1997-2002, and we capitalized on it well.

Before the early 2000's, very few equity analysts covered our stock. By around 2003, our share price began to rise. We became the darling of many analysts and institutional investors. With the exception of 2008 during the global economic crisis, we had an almost uninterrupted run of some eight years until early 2011. Since then we have slightly underperformed in the sector. A year ago, I wrote about its causes and will expand on them later.

In any event, at the beginning of the millennium, our Mainland strategy, then limited to one city, together with our Hong Kong maneuvers began to pay off. Initial success in Shanghai has blazed the trail for second-tier cities since 2005. We purchased some of the best commercial land at among the lowest unit prices in the industry. In Hong Kong, we bought land at the bottom of the market and turned these projects into some of the most profitable the city has ever seen.

Also worth mentioning is that we paid high prices for our two pieces of land in Shanghai. We bought them at the top of the market and it took 10 years for prices to return to costs. Nevertheless, it might not have been a mistake since similar excellent plots would not have been available for purchase at market bottom. The completion of the two developments also coincided with the demand for luxury goods taking off in the country and we caught it perfectly. Was that luck or brilliance of management? I think it was more the former.

It was obvious that our success in Shanghai was not because of buying land on the cheap. Frankly, unlike residential development for sale in Hong Kong, land price should not be the deciding factor in the success or failure of a commercial property investment project on the Mainland. The reasons are two: construction is more expensive than land, and consumer spending is rapidly rising such that rents will follow suit. Buying the wrong plot, such as in a poor location, is far more serious than overpaying for the right piece. We did the latter in Shanghai. In more recent years, all land acquisitions in second-tier cities were right and inexpensive.

Why then did our share price remain stagnant for the past four years? A year ago I suggested both exogenous and endogenous factors which are still valid today. Here I want to expand on an important point which deserves further attention. Namely, we have grown so fast since 2005 that the management team, despite having expanded rapidly in the past decade, has had a difficult time catching up.

Consider the following statistics: in less than five years from mid-2010 until now, our Mainland rental portfolio has grown by 3.5 times. Rents collected have more than doubled, rising from HK$1.9 billion to HK$3.9 billion. On average we added over 300,000 square meters per year of world-class commercial properties, which, as I have said before, is larger than one New York Empire State Building. If we continue to move forward at the same rate, it will take another decade to exhaust the existing land bank. I suspect few developers anywhere can match this magnitude of growth.

Likewise, staff count has climbed as a result of business expansion. In the same five-year period, the number of executives who received stock options has increased by 3.2 times. Once we started to buy land outside of Shanghai in 2005, we have begun to enlarge the team. Counting Hong Kong-based executives alone, we doubled the number in the first six years. Since opening our first mall outside of Shanghai in 2010, we have seen a 2.5 times increase in the past four years.

Constant influx of new executives notwithstanding, it seems we are unable to meet the ever-growing demands. What made it doubly hard was the departure of our long-serving Managing Director. Eighteen years prior, Mr Nelson Yuen had informed me personally that he would retire in 2010 and had reminded me of it in 2008. As such, I could hardly fault him for the timing. Fortunately, he and I together with the strong guidance from the Board have found a most capable successor in Mr Philip Chen. Philip joined in July 2010.

Yet challenges seemed never-ending. Around that time, we had a number of long-serving senior staff who reached retirement age or otherwise resigned. Much more troubling was the need to replace several of our senior executives, a subject which I had previously reported. Management orientation at that time was evolving from a strategy-intensive focus to an operation-intensive one. Among other things, resistance to change had to be stopped and top management had to do what had to be done. Those tough decisions were resolutely taken. Since Philip had only just joined us, I had to personally step in to execute some of those key changes. Having spent much of his earlier career in the airline industry, Philip put it best: it was like we had to change the plane's engine in mid-air!

Grand Gateway 66,
Shanghai

Consider the following: not counting the retirement of Mr Nelson Yuen, in the 3.5 years prior to January 2014, we saw the departure of four director-level executives, three of whom were long-serving. At the next level of management called Assistant Directors, we saw the departure of six, of which only one was due to retirement. Among the four current director-level executives, I am the only one who has held the same position for more than 4.5 years. Of the present twelve Assistant Directors, only one predated Philip.

Almost all of these personnel changes were necessary. Although we have been hiring all along, the expansion rate of our operation was overwhelming, resulting in a lack of bench strength to support organizational growth. Our management team was stretched to the limit.

Finding very senior people is never easy. If nothing else, it takes time. Of the three major functional heads in areas of finance, construction and leasing, only the first was internally promoted; the other two had to be hired externally. Construction involves huge sums of money and many mistakes can have devastating financial and reputational consequences. We are fortunate to have finally engaged several highly qualified professionals. Teams have been built under them and are performing satisfactorily.

In the longer run, however, leasing is our bread and butter. This is an area where we are still struggling. Unlike construction which can bring catastrophic and sudden troubles, inadequacies in the leasing team will sow seeds of problems that may take years to reverse. This, I believe, is the crux of our present challenge. Tough market conditions aside, a shortage of experienced hands in the past few years has been the source of our struggle.

It was not for the lack of trying, but we do not always get the personnel issues right. A mistake can potentially cost us 2-3 years. Fortunately, we have found a pair of experienced hands in our Leasing Director. Even so, building an adequate team under him is still a challenge. A lot has already been done but much more is required.

Until we fix this problem, our performance will be affected and this will be reflected in our share price. Management is keenly aware of this, and we are doing our best to build a team of operational excellence.

How much longer will it take to build up our leasing team? My estimate starts at two years. Once accomplished, our Company will thrive again. My optimism is grounded solidly on the nature of high-end shopping center business. Namely, the single most critical factor for success is the hardware, or real estate "genetics" as I have called it – location, size, design and construction. They are the most critical because once determined, they cannot be changed. Lacking any of the four elements may permanently remove that facility from the competitive race. There is no room for failure in getting the hardware right. Fortunately all of our properties have all four success factors.

What about software such as management and corporate culture? Management is of course very important. A shopping center with excellent hardware complemented by a strong team will ensure its top spot in the market. Shanghai Plaza 66 has so far achieved that status. A mall that has superb hardware but lacks adequate management will still perform acceptably, but it will not realize its potential. It will also leave room for competitors to exploit. And if management is weak over a prolonged period, the facility will gradually lose its competitiveness. However, it will unlikely die a sudden death. But even in such a case, a change or improvement in management should be able to revive the property because of its superior hardware.

Then there is the case of poor genetics. If it is bad enough – and many malls in China are – even the best manager will not be able to salvage it. To put it bluntly: a short man (i.e. one with the wrong genetics) can never play basketball – at least not in the major league, and we are only interested in the major league.

Looking at the competitive landscape, there are very few shopping centers in China which have good, let alone excellent, hardware. Yet few will dispute that your Company has some of the very best. We are now working hard to build the best software – management – to match it. We already have it in finance and construction. The only area that needs work is the operation of rental properties. We will get it right.

For fear of being accused of overstating my case, let me quickly add that we do have many competent staff in managing investment properties. Our success in Hong Kong and Shanghai over the long years was certainly not built on luck, for luck by definition cannot be with us over a prolonged period of time. It is just that our rate of business growth is unprecedented and for reasons given above, we find ourselves short-handed. I am confident that on the basis of what we already have, we can build a first-class team to match our world-class properties.

A few years ago I wrote about corporate culture. Traditionally, Hang Lung is a company with a very strong culture. But as we expand, it was difficult to maintain, let alone strengthen it. When we added Shanghai and became a two-city organization, frankly we began to dilute it. Over time, counterproductive systems and norms began to set in. This was a major reason for the difficulties experienced some five years ago as I have earlier described. At the same time, we were expanding at a rate of one new city per year with a shortage of experienced staff. One can imagine the speed with which even a long-established corporate culture can be strained.

As we are now building out our team, corporate culture is an area which management must revisit. It needs to be reaffirmed, strengthened and propagated throughout the organization. This is now being executed although much more work is needed. No corporation can have sustainable success without a proper culture.

Some analysts think that oversupply of retail space is our main woe. To a good extent, I disagree. The fact is that in each of our second-tier cities, our luxury malls usually have at most one direct competitor, and there is room for at least two such facilities. As for our sub-luxury shopping centers, there are usually no more than two direct competitors, but the market can absorb many. As always, our stated goal is to be the very best in each market in which we play. All things considered, each of our malls is already number one or at least number two in their respective markets.

On a slightly lighter note, I should say a word about our Company logo. It relates to what I have just discussed. People have expressed to me its elegance but I have never explained to shareholders its meaning, although it has been in use for 22 years.

For the first 33 years of our history – Hang Lung was founded in 1960 by my late father Mr T.H. Chan – we only used a particular rendering of the two characters of our Chinese name. It looked solid if not a little heavy and old-fashioned. Recognizing the need for a new logo in an increasingly globalized world with shareholders from many parts of the world, I, in the third year of my chairmanship, engaged a design firm. The first time I saw our current logo, I picked it from among many alternatives. I considered it both elegant and meaningful.

First, the two groups of three columns each linked by a flowing ribbon form the alphabet "H" as in "Hang Lung". Columns or pillars denote solidity and are emblematic of our real estate industry. At that time, because of the old Hong Kong Kai Tak Airport, buildings were limited to 20 storeys on one side of the harbor, the Kowloon side. So Kowloon is represented by the flat top on the right side of the logo, while Hong Kong Island, without such restrictions and hence having much taller buildings of varying heights, is represented on the left side of the logo.

Second, the ribbon denotes the software which ties the six pillars of hardware together. Strategy, construction, and finance are examples of hardware, while management and corporate culture represent software. The best hardware together with the best software will make our business thrive.

Within the Company, we have some very promising young staff in their 30's. Many of them will likely be with the Company for the next 20-30 years. They have inherited the best hardware in the industry. This is a legacy of decades of sound strategy and hard work. As the young future leaders gradually step to the fore, they should realize that for the Company to move forward and maximize its potential, different critical skills will be required. In the foreseeable future, operational excellence will be the key.

As we transit from concentrating on strategy, land acquisition and building design to building out the land bank and leasing and managing the space, future leaders of this Company must know how to run a tight ship. As long as we do this well, our future is rather secure for many years to come. We will ride the rising tide of consumerism in China, and expect to become a big beneficiary.

In times of transition like this, someone like Mr Philip Chen is critical. If he can successfully run a complicated business like an airline and help make it into one of the world's most profitable, he can surely manage a real estate concern. He knows how to build an efficient organization. What he and I have to do in the next 2-3 years is to build the top management team with people who can succeed us. The process has in fact started four years ago and I look forward to seeing it bear fruit.

Of more immediate concern to shareholders are two issues: when will the Chinese consumer market recover, and when will Hang Lung share price rise again. Although I do not know the answer to either, let me nevertheless share with my readers how I see the future.

As I said earlier, the present downturn for luxury goods may take some time to recover, or to find its "new normal". In the interim, we will finish building our management team, especially on the leasing side. Once done, if the market has not yet recovered, we will simply sit tight and wait. Nothing is more certain on the Mainland than the rise of consumption in the medium to longer term. While we wait, we will resort to hunting more land. So far we have done superbly in this regard and there is no reason to believe that we cannot continue to do so going forward.

Sooner or later the stock market will recompense us for all the right things that we have been doing. Between 1991 and 1997, we waited and were hugely rewarded in Hong Kong when the Asian Financial Crisis came. Now we shall wait again while building a team that can take great advantage of China's rising consumerism.

To achieve all this, we need a blue-ribbon Board. We have one, and I am proud of it. While not yet perfect in corporate governance, our Board is nonetheless by far the best in the industry in Hong Kong by many measures. I firmly believe in this, and will challenge anyone who questions it. For example, I know of none of our peers whose Independent Non-Executive Directors wield so much power in critical company affairs as ours do, nor work so diligently to fulfill their obligations.

This has been true for well over a decade. Perhaps due to lack of self-marketing – or rather, others promoting themselves better than we have in this regard – for years we did not catch the attention of experts who survey companies on corporate governance. But as is always my belief, as long as we do the right thing each step of the way, sooner or later the market will recognize us. This is true of our governance standard and our stock price.

In terms of corporate governance, in recent years we have more often than not garnered most of the top awards for our industry. Certain practices on which we alone have for years insisted, such as announcing interim and final results within one month of financial period end, have now been adopted by certain competitors who have previously vehemently resisted them. We are pleased to contribute to the improvement of corporate governance in the property sector.

As to our share price, we saw a rerating in the 2000's after a decade of doing the right things. My belief is that it will happen again for we have again been quietly preparing the Company for the next wave of growth.

It is with mixed feelings that I announce the retirement of two long-serving directors Mr S.S. Yin and Dr H.K. Cheng. They serve on the Board of this Company and of our parent Hang Lung Group. Both gentlemen have expressed their desire to not stand for re-election of the Hang Lung Group Board at its coming Annual General Meeting on April 29. As a result, they will also step down from this Board. On behalf of all my fellow directors, I thank them for their long years of loyal service.

A banker by training, Mr S.S. Yin is a former Executive Director and later Managing Director of the original Hang Lung entity called Hang Lung Development Company, Limited founded in 1960. He joined in 1971 when the Company was preparing to go public the following year. Since his retirement from active management in 1992, he has served as Non-Executive Vice Chairman of this Company and of Hang Lung Group.

Dr H.K. Cheng, a distinguished engineer and civic leader, joined as Non-Executive Director in 1993. He ably chaired committees and hardly missed any meeting – exemplary to all of us!

Fortunately, another equally distinguished engineer joined our Board last October. Before retirement last year, Dr Andrew Chan was global vice chair of the world-renowned London-headquartered multi-disciplinary engineering firm, Arup. Not only is he most experienced in his profession, he is also a dynamic thinker. His out-of-the-box thinking always blends pragmatism of an engineer and creativity of a business leader. It is indeed our good fortune – for both management and shareholders – to have Andrew as a director. I look forward to working with him in the years to come.

The Board has agreed upon certain guidelines for tenure of directorship. They relate to term limit and age limit. While not set in stone, they are nevertheless useful to help direct future actions. In my opinion, there are no hard and fast rules to handle these issues. Any model adopted must take into account many factors and strike a balance. Being dogmatic is unwise, just as it is imprudent to not have reasonable guidelines. I refer readers to my letter to Hang Lung Group shareholders for further discussions.

Ronnie C. Chan
Chairman
Hong Kong, January 26, 2015

ADDENDUM TO CHAIRMAN'S LETTER TO SHAREHOLDERS

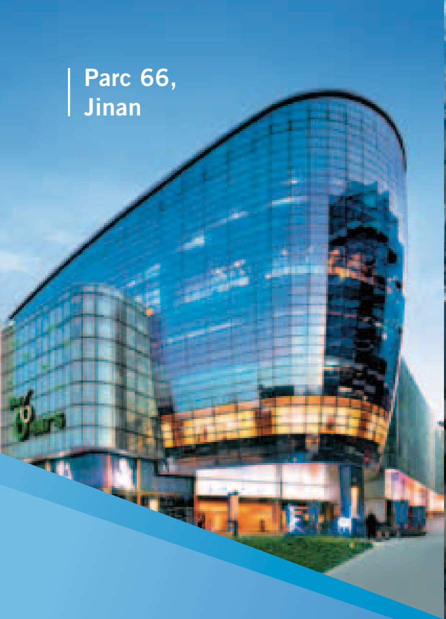
To Our Shareholders:

It gives me pleasure to announce that Professor H.K. Chang has joined our Board as an Independent Non-Executive Director. This took place after my latest letter dated January 26.

H.K. is a distinguished engineer with an extraordinary breadth of knowledge of the world. Over the years, he has successively served as professor, deans of schools of engineering and finally president of City University of Hong Kong from which he retired in 2007. Having grown up in Taiwan, and educated and worked in the United States, H.K. finally moved to Hong Kong in 1996 where he now calls home. He serves on the boards of some of our city's biggest companies. He lectures in many universities around the world including China. I look forward to his many contributions.

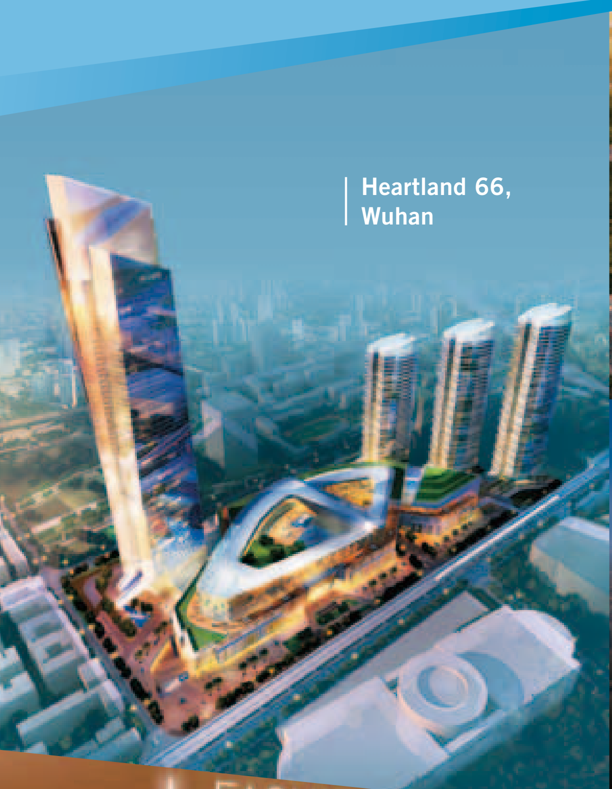
Professor Pak Wai Liu, an Independent Non-Executive Director, has agreed to join the Board of Hang Lung Group Limited with the understanding that when his term at the Company is expected up in 2016, he will not seek re-election. As records show, since 1997, we have not appointed Non-Executive Directors who serve on both Boards. This practice will continue.

Ronnie C. Chan
Chairman
Hong Kong, March 11, 2015


Parc 66,
Jinan


Center 66,
Wuxi


Plaza 66,
Shanghai


Heartland 66,
Wuhan


Olympia 66,
Dalian


Spring City 66,
Kunming

Fashion Walk,
Hong Kong

Grand Plaza,
Hong Kong

Grand Gateway 66,
Shanghai

Riverside 66,
Tianjin

Palace 66,
Shenyang

Forum 66,
Shenyang

Multifaceted Design

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

Management Discussion and Analysis

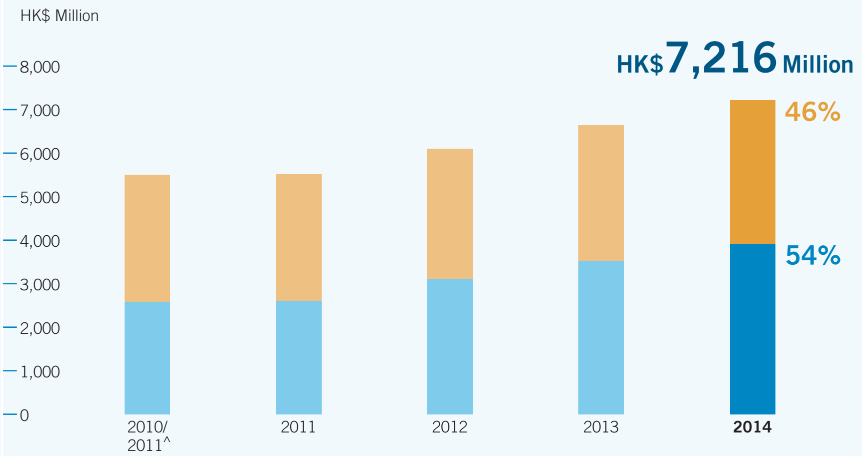

Shenyang
Tianjin
Dalian
Jinan
Wuxi
Wuhan
Shanghai
Kunming
Hong Kong

Business Overview

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

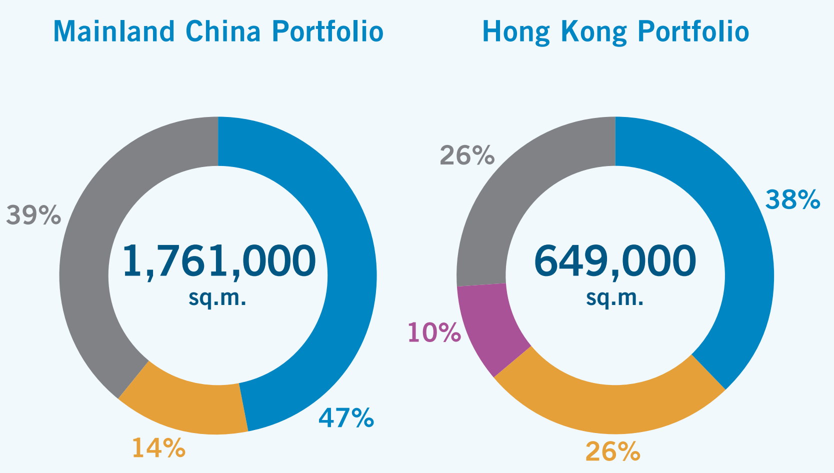
In 2014, Hang Lung Properties reported continual growth of mainland China and Hong Kong property leasing portfolios. Couple with taking advantages of improved Hong Kong residential market sentiment, the Group achieved strong financial results.

PROPERTY LEASING TURNOVER



■ Mainland China
■ Hong Kong
^ Financial year ended June 30

AREA OF INVESTMENT PROPERTIES

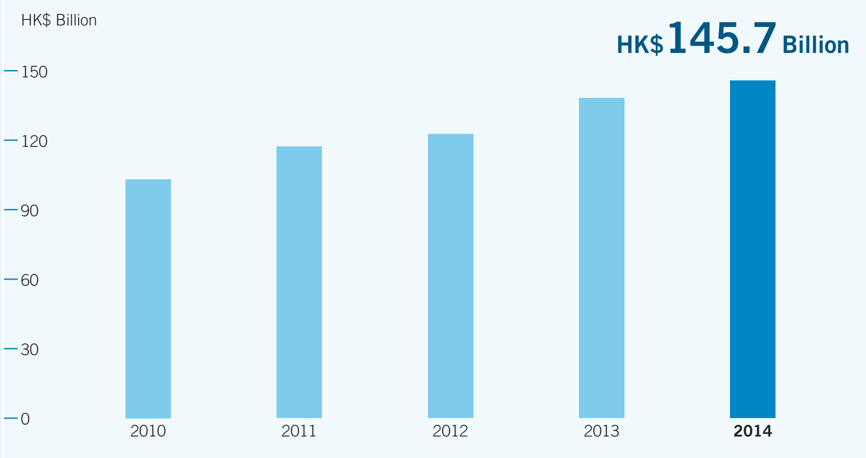


■ Commercial
■ Office and Industrial/Office
■ Residential & Apartment
■ Car Park

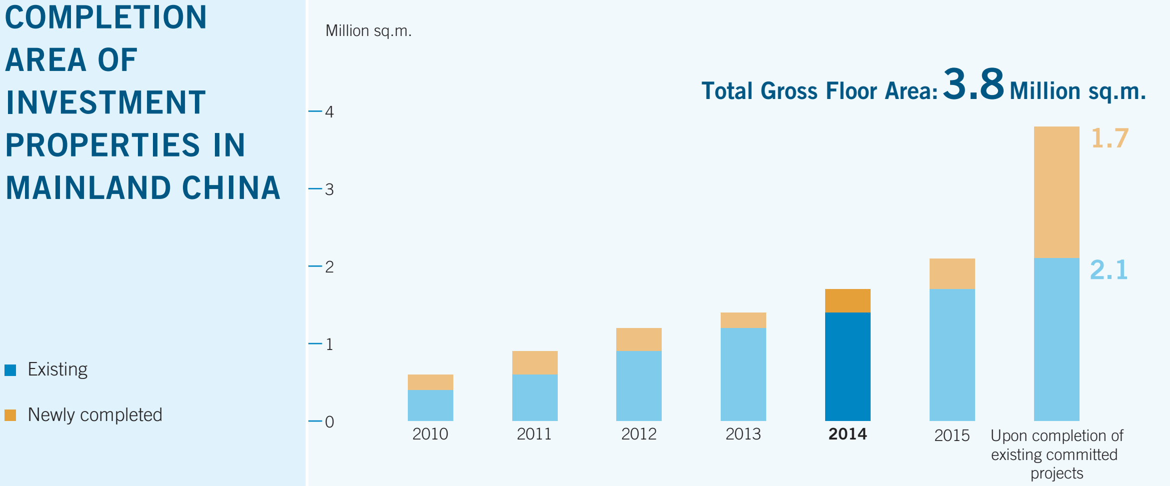
For the 12-month period ended December 31, 2014, our core business, property leasing continued to achieve steady growth in a challenging business environment in mainland China and Hong Kong. Property leasing turnover and operating profit rose 9% and 5% to HK$7,216 million and HK$5,589 million, respectively.

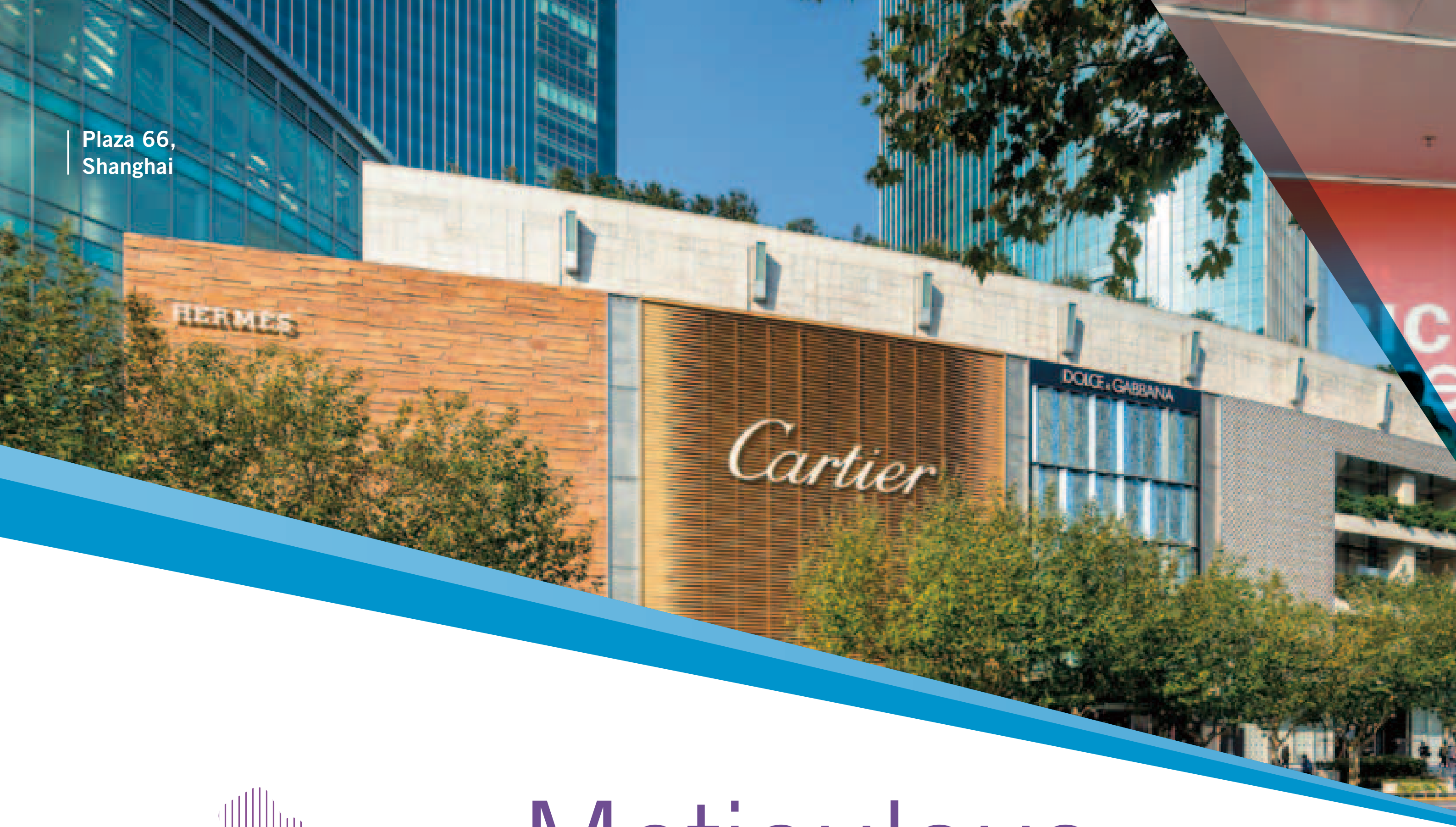
Riding on improved sentiments in the Hong Kong residential market, the Group launched the sales campaigns for The Long Beach and The HarbourSide in 2014. As a result of the sale of a total of 412 residential units and some car parking spaces, our property sales turnover reached HK$9,814 million. Overall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

VALUATION OF INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT AS AT DECEMBER 31

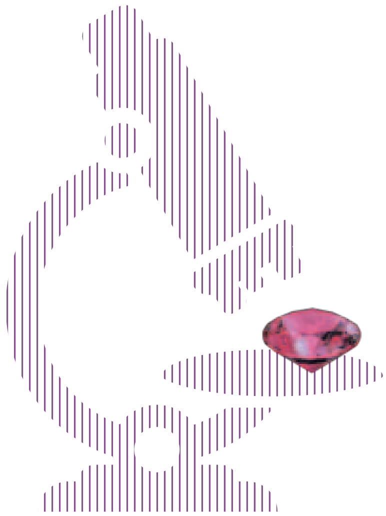


COMPLETION AREA OF INVESTMENT PROPERTIES IN MAINLAND CHINA



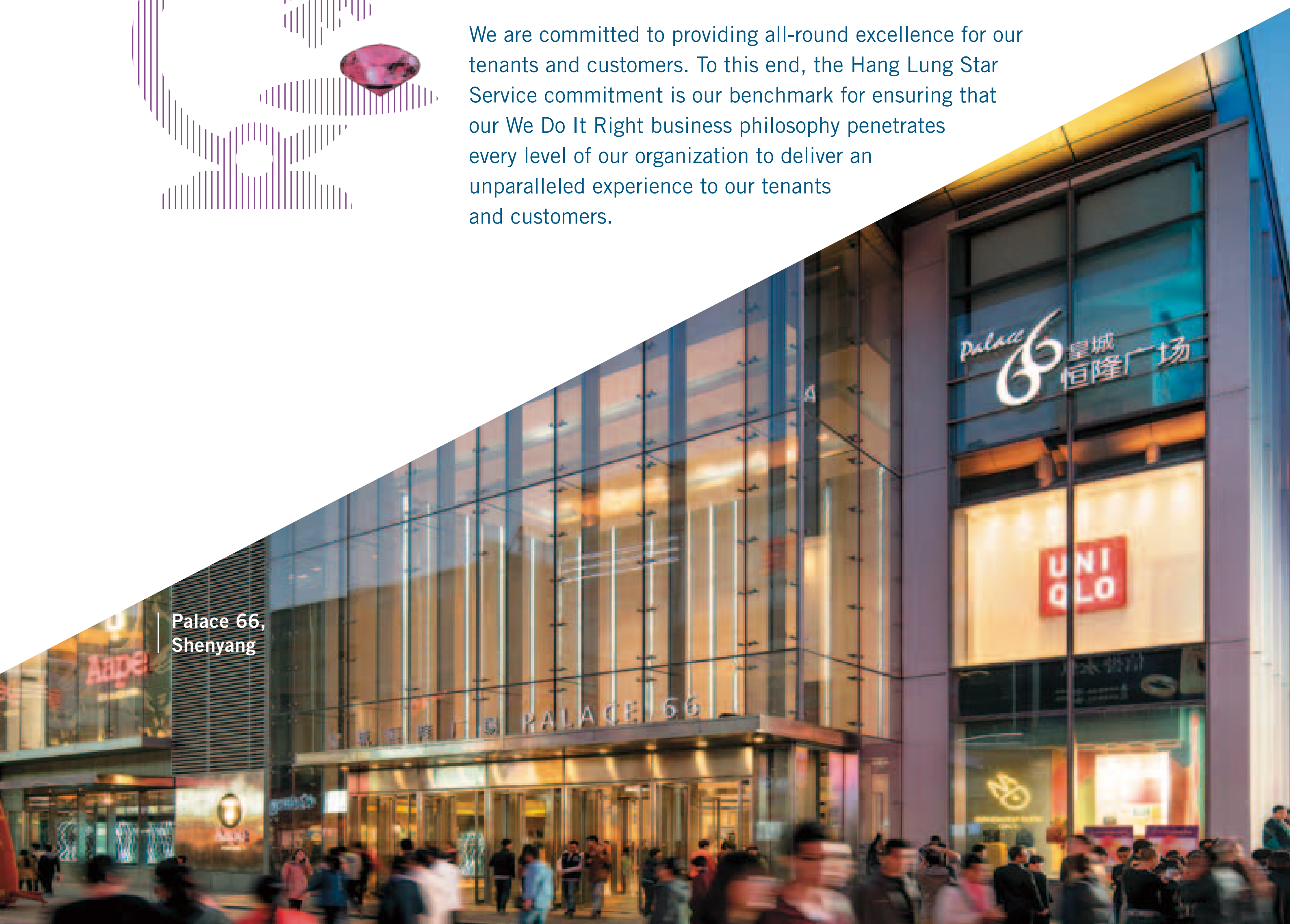


Plaza 66, Shanghai



Meticulous Detail

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



Palace 66, Shenyang

The Peak Galleria, Hong Kong

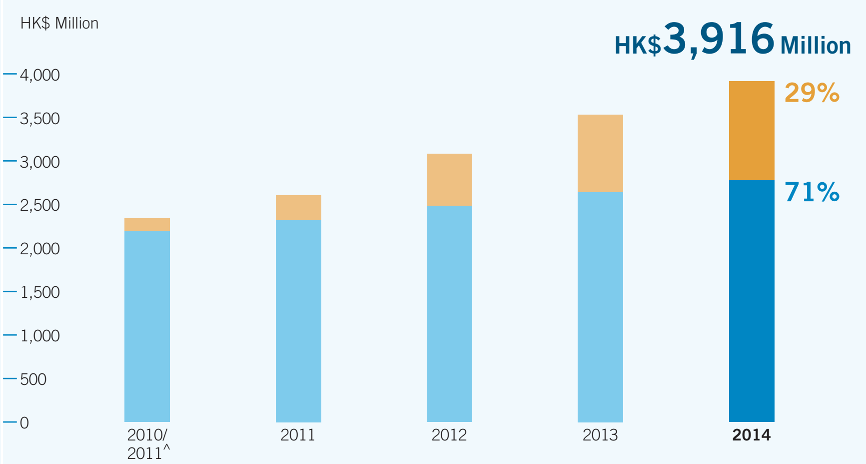
Fashion Walk, Hong Kong

Center 66, Wuxi

Mainland China Property Leasing

Rental turnover generated by our mainland China property leasing portfolio advanced by 11% to HK$3,916 million for the year ended December 31, 2014.

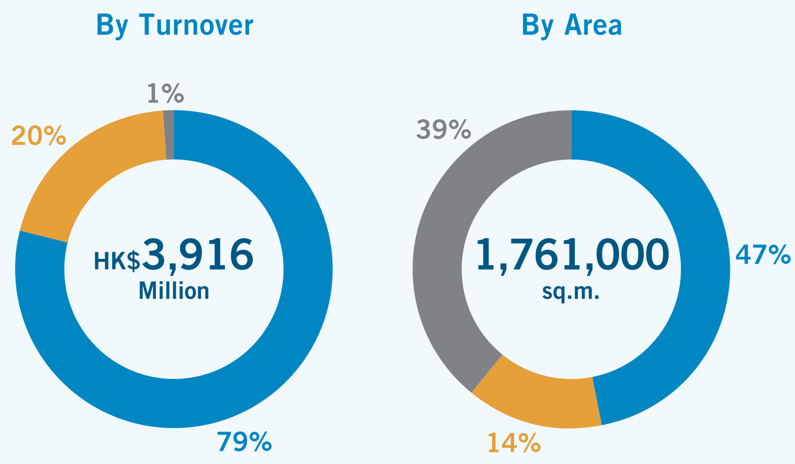
PROPERTY LEASING TURNOVER OF MAINLAND CHINA



- Shanghai
- Outside Shanghai

^ Financial year ended June 30

DISTRIBUTION OF MAINLAND CHINA PORTFOLIO



- Commercial
- Office
- Car Park

Our Shanghai properties, which accounted for 71% of total turnover of our mainland China portfolio, continued to deliver a stable performance, with a rental growth of 5% in 2014. Investment properties outside Shanghai contributed HK$1,141 million to the Group's rental turnover. That included the full year impact of the Center 66 shopping mall and the additions of Riverside 66 shopping mall as well as the office tower of Center 66 during the second half of 2014.

With the openings of Riverside 66 in Tianjin and the office tower of Center 66 in Wuxi, total gross floor area of the investment properties of the Group operating in five cities on the Mainland increased to 1,761,000 square meters, comprising 1,513,000 square meters of commercial area (including car parks) and 248,000 square meters of office spaces. Total retail sales of our shopping malls in mainland China exceeded RMB10 billion in 2014.

SEGMENTAL ANALYSIS OF MAINLAND CHINA INVESTMENT PROPERTIES

For the year ended December 31

	Rental Turnover (HK$ Million)		Occupancy Rate (%)		Total Gross Floor Area# ('000 sq.m.)	
	2014	2013	**2014**	2013	**2014**	2013
Commercial	**3,063**	2,696	**89**	93	**827**	674
Office	**796**	786	**63**	95	**248**	160
Car Park	**57**	44	**N/A**	N/A	**686**	576
Total	**3,916**	3,526	**79**	93	**1,761**	1,410

Including gross floor area above and below ground

BRIEF ON PROPERTIES

PLAZA 66, SHANGHAI

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

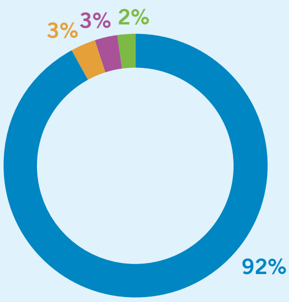
GRAND GATEWAY 66, SHANGHAI

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

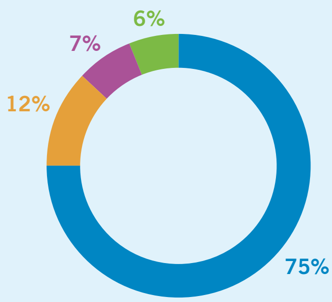
The shopping mall of Grand Gateway 66 offers unmatched opportunities for business and leisure. With its superb location above the Xujiahui station, Grand Gateway 66 is a true one-stop shopping complex in Shanghai.

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

Commercial Segment Distribution (by Base Rent) (Plaza 66, Shanghai)



Commercial Segment Distribution (by Base Rent) (Grand Gateway 66, Shanghai)



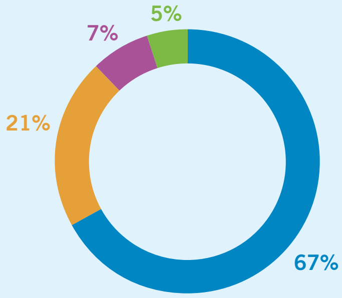
Key Statistics

		Plaza 66, Shanghai	Grand Gateway 66, Shanghai
Gross floor area (sq.m.)	Commercial	53,700	120,188
	Office	159,555	67,200 (owned by Hang Lung Group Limited)
	Residential/ Serviced Apartment	N/A	83,200 (owned by Hang Lung Group Limited)
Number of car park spaces		804	835
Occupancy rate	Commercial	96%	99%
	Office	91%	96% (owned by Hang Lung Group Limited)
	Residential/ Serviced Apartment	N/A	67% (owned by Hang Lung Group Limited)
Number of shopping mall tenants		120	384

PALACE 66, SHENYANG

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

Commercial Segment Distribution (by Base Rent)



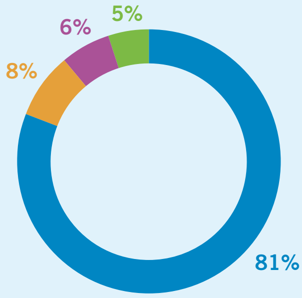
109,307
N/A
N/A
864
85%
N/A
N/A
190

FORUM 66, SHENYANG

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

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

Commercial Segment Distribution (by Base Rent)



101,960
N/A
N/A
2,139
93%
N/A
N/A
134

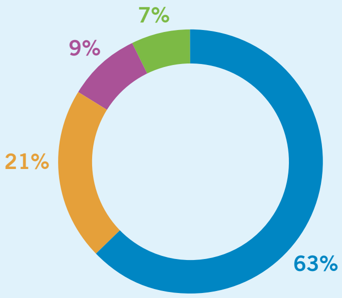
BRIEF ON PROPERTIES

PARC 66, JINAN

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

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

Commercial Segment Distribution (by Base Rent)



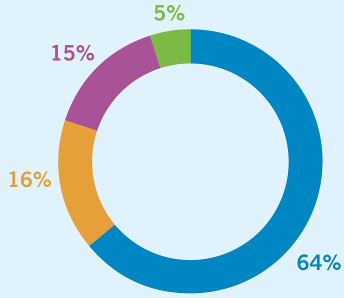
CENTER 66, WUXI

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

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

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

Commercial Segment Distribution (by Base Rent)



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

Key Statistics

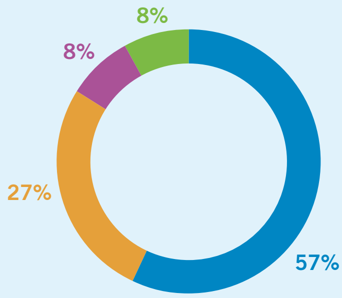
		Parc 66, Jinan	Center 66, Wuxi
Gross floor area (sq.m.)	Commercial	171,074	118,135
	Office	N/A	88,560
	Residential/ Serviced Apartment	N/A	N/A
Number of car park spaces		789	1,292
Occupancy rate	Commercial	82%	91%
	Office	N/A	29% (Low- and mid-zones)
	Residential/ Serviced Apartment	N/A	N/A
Number of shopping mall tenants		284	200

RIVERSIDE 66, TIANJIN

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

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

Commercial Segment Distribution (by Base Rent)



152,831
N/A
N/A
800
84%
N/A
N/A
297

PLAZA 66, SHANGHAI

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

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

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

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

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

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

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

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

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

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

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

GRAND GATEWAY 66, SHANGHAI

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

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

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

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

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

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

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

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

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

Retail sales in Palace 66

↑12%

PALACE 66, SHENYANG

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

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

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

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

Forum 66 provides customers a full diversity of desired lifestyle experiences

FORUM 66, SHENYANG

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

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

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

PARC 66, JINAN

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

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

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

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

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

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

CENTER 66, WUXI

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


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

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

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

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

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

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

Riverside 66 introduces international brands making their debut in Tianjin

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

RIVERSIDE 66, TIANJIN

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

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

60
new brands debuted in Riverside 66

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

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

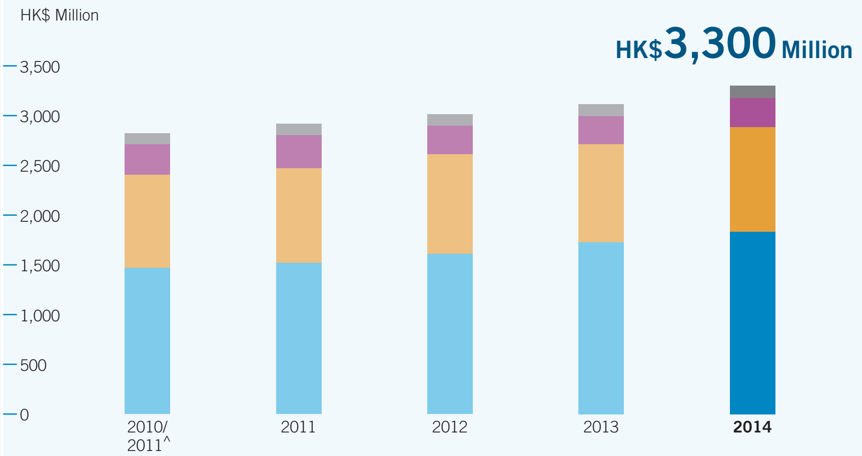
Key marketing events of the year included the Rainbow Run, Mirror Mirror Party, Bazaar Art Show and Batman exhibition. Riverside 66 also hosted the One & Only exhibition of brands making their debut in Tianjin. To improve the customer experience, Riverside 66 installed touch screens for displaying store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

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

Hong Kong Property Leasing

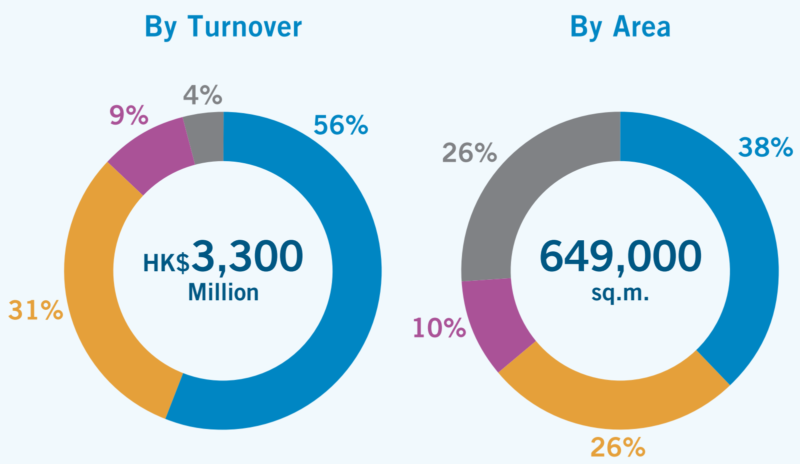
In Hong Kong, the year under review saw stable growth and steady revenue for our businesses. In addition, we are beginning to see the fruits of our management strategy, with our asset enhancement and tenant optimization programs going according to plan. These achievements are all testament to the strength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

TURNOVER OF HONG KONG PORTFOLIO



■ Commercial
■ Office and Industrial/Office
■ Residential & Apartment
■ Car Park
^ Financial year ended June 30

DISTRIBUTION OF HONG KONG PORTFOLIO



■ Commercial
■ Office and Industrial/Office
■ Residential & Apartment
■ Car Park

Our diversified Hong Kong portfolio was resilient in the challenging market environment. Rental turnover and operating profit were both up by 6%. The resulting leasing margin was 84.5%.

Rental turnover of the commercial and office segments was up 6% and 7%, respectively. The solid growth was attributable to positive rental reversions and tenant mix reshuffling. Occupancy rate of the commercial segment was maintained at 98% while the office portfolio stood at 94%. The commercial portfolio accounted for 56% of Hong Kong rental turnover in 2014.

GEOGRAPHICAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

At December 31

	Total Gross Floor Area* ('000 sq.m.)	
	2014	2013
Hong Kong Island		
Central and Admiralty	**51**	51
Causeway Bay and Wan Chai	**92**	92
Kornhill and Quarry Bay	**134**	134
The Peak and Mid-Levels	**47**	47
Hong Kong South	**12**	12
Kowloon		
Mongkok	**140**	140
Tsim Sha Tsui and West Kowloon	**88**	88
Ngau Tau Kok and Kwun Tong	**76**	76
Cheung Sha Wan and Kwai Chung	**9**	9
Total	**649**	649

SEGMENTAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

For the year ended December 31

	Rental Turnover (HK$ Million)		Occupancy Rate (%)		Total Gross Floor Area# ('000 sq.m.)	
	2014	2013	**2014**	2013	**2014**	2013
Commercial	**1,832**	1,726	**98%**	98%	**246**	246
Office and Industrial/ Office	**1,048**	983	**94%**	96%	**169**	169
Residential & Apartment	**295**	285	**73%**	74%	**68**	68
Car Park	**125**	118	**N/A**	N/A	**166**	166
Total	**3,300**	3,112	**93%**	94%	**649**	649

* Including gross floor area of car parks

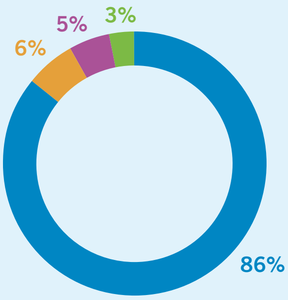
Including gross floor area above and below ground

BRIEF ON MAJOR PROPERTIES

FASHION WALK
Causeway Bay

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

Commercial Segment Distribution (by Base Rent)

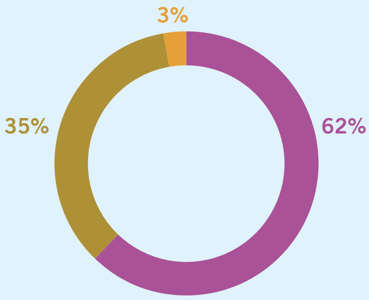


HANG LUNG CENTRE
Causeway Bay

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

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

Commercial Segment Distribution (by Base Rent)



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

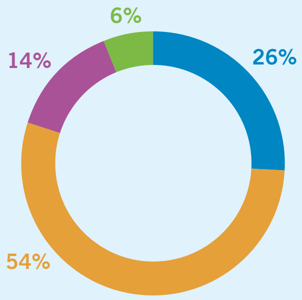
Key Statistics

		Fashion Walk	Hang Lung Centre
Gross floor area (sq.m.)	Commercial	31,072	8,777
	Office	N/A	22,131
	Residential/ Serviced Apartment	7,935	N/A
Number of car park spaces		N/A	126
Occupancy rate	Commercial	97%	91%
	Office	N/A	97%
	Residential/ Serviced Apartment	81%	N/A
Number of shopping mall tenants		73	6

THE PEAK GALLERIA
The Peak

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

Commercial Segment Distribution (by Base Rent)

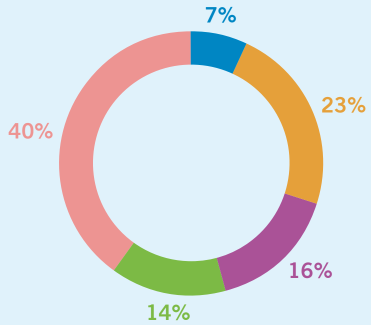


12,446
N/A
N/A
493
97%
N/A
N/A
58

KORNHILL PLAZA
Quarry Bay

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

Commercial Segment Distribution (by Base Rent)



53,080
10,577
35,275
1,069
99%
95%
62%
105

BRIEF ON MAJOR PROPERTIES

STANDARD CHARTERED BANK BUILDING
Central

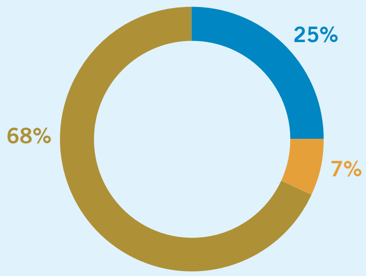
Home to Hang Lung's headquarters, the Standard Chartered Bank Building is a prestigious Grade A commercial tower in Central district. It is also the home of the first digital branch of Standard Chartered Bank, the luxury fashion brand Escada and high-end Chinese restaurant Mott 32.

GRAND PLAZA
Mongkok

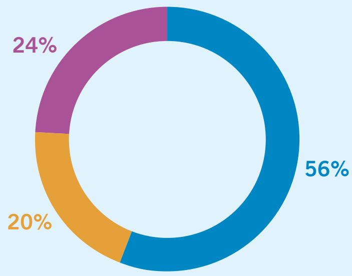
Located on the bustling Nathan Road next to the MTR Mongkok Station, Grand Plaza comprises two office towers and a commercial podium with high-standard facilities, houses renowned watch and jewelry brands, many fashion brands and restaurants targeting both locals and tourists, as well as beauty and medical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

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

Commercial Segment Distribution (by Base Rent) — Standard Chartered Bank Building



Commercial Segment Distribution (by Base Rent) — Grand Plaza



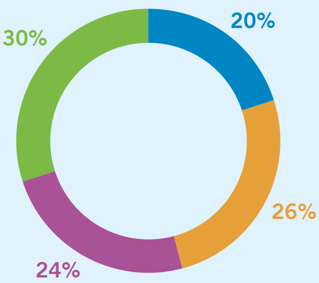
Key Statistics

		Standard Chartered Bank Building	Grand Plaza
Gross floor area (sq.m.)	Commercial	4,814	20,905
	Office	23,730	31,251
	Residential/ Serviced Apartment	N/A	N/A
Number of car park spaces		16	40
Occupancy rate	Commercial	100%	97%
	Office	100%	93%
	Residential/ Serviced Apartment	N/A	N/A
Number of shopping mall tenants		3	30

AMOY PLAZA
Ngau Tau Kok

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

Commercial Segment Distribution (by Base Rent)

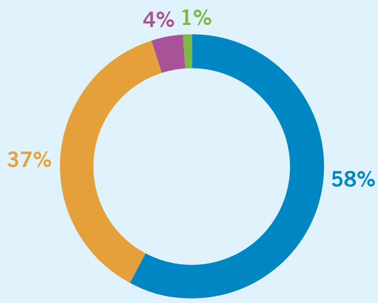


49,006
N/A
N/A
620
98%
N/A
N/A
245

GALA PLACE & PARK-IN COMMERCIAL CENTRE
Mongkok

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

Commercial Segment Distribution (by Base Rent)



7,454
30,205
N/A
478
95%
89%
N/A
100

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

over 30 new stores in Fashion Walk

FASHION WALK

2014 marked the beginning of our asset enhancement initiatives for **Fashion Walk**. In a unique fusion of indoor and outdoor ambience at the heart of Causeway Bay encompassed by four vibrant streets – Great George, Paterson, Kingston and Cleveland – Fashion Walk has a good track record setting the pulse of Causeway Bay and continues to evolve as a distinctive lifestyle destination that offers the latest in fashion, lifestyle and gastronomy.

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

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

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

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

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

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

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

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

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

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

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

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

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

THE PEAK GALLERIA

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

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

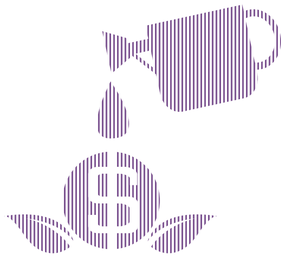
Enhancement works in the mall will commence in 2016 which aims to provide customers with a more enjoyable and vibrant shopping and lifestyle experience.

KORNHILL PLAZA

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

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

Luxury brands open shops at the
Standard Chartered Bank Building



Rental growth in Central commercial portfolio

↑25%

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

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

CENTRAL

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

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

MONGKOK

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

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

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

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

Grand Plaza in Mongkok is having a new façade

Gala Place gives customers new excitements by providing pioneering shopping experiences

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

AMOY PLAZA

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

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

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

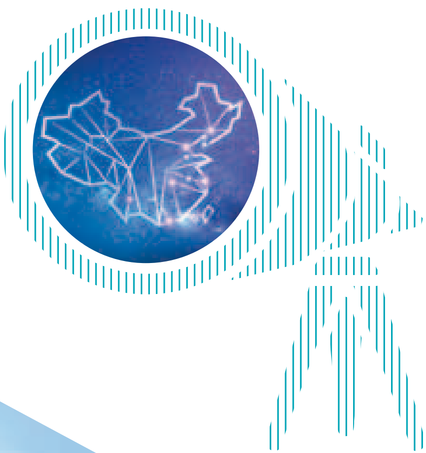
The Long Beach,
Hong Kong

The HarbourSide,
Hong Kong

Center 66,
Wuxi

Forum 66,
Shenyang

23-39 Blue Pool Road,
Hong Kong



Macroscopic Views

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

Olympia 66,
Dalian

Hong Kong Property Sales and Development

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

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

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

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

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

23-39 BLUE POOL ROAD

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

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

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

THE LONG BEACH

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

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

THE HARBOURSIDE

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

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

Mainland China Property Development

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

SUMMARY OF NEW PROJECTS IN MAINLAND CHINA

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

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

OLYMPIA 66, DALIAN

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

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

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

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

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

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

CENTER 66 – PHASE 1 & PHASE 2, WUXI

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

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

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

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

FORUM 66, SHENYANG

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

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

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

SPRING CITY 66, KUNMING

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

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

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

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

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

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

HEARTLAND 66, WUHAN

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

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

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

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

Major Properties of the Group

A. MAJOR PROPERTIES UNDER DEVELOPMENT

At December 31, 2014

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

C: Commercial
H: Hotel
O: Office
S: Serviced Apartment
All the above properties are wholly owned by the Group

B. PROPERTIES COMPLETED FOR SALE

At December 31, 2014

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

R: Residential

All the above properties are wholly owned by the Group

C. MAJOR INVESTMENT PROPERTIES

At December 31, 2014

	Location	Lease Expiry	% Held by The Group	Total Gross Floor Area (sq.m.)# Commercial	Office and Industrial/ Office	Residential and Apartment	No. of Car Park Space
HONG KONG							
CENTRAL							
Printing House	6 Duddell Street, IL 339	2848	100%	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	100%	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	100%	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	100%	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI							
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	100%	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	100%	31,072	–	7,935	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	100%	–	16,313	–	42
KORNHILL (QUARRY BAY)							
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	100%	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	100%	–	–	35,275	–
THE PEAK AND MID-LEVELS							
The Peak Galleria	118 Peak Road, RBL 3	2047	100%	12,446	–	–	493
Nos. 2&3 Garden Terrace, Block 2	8A Old Peak Road, IL 896 & IL 2850	2078 & 2886	100%	–	–	558	17
The Summit	41C Stubbs Road, IL 8870	2047	100%	–	–	15,225	54
HONG KONG SOUTH							
Burnside Villa	9 South Bay Road, RBL 994	2072	100%	–	–	9,212	89
MONGKOK							
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	100%	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	100%	–	–	–	1,000
Park-In Commercial Centre/Gala Place	56 Dundas Street, KIL 9590	2044*	100%	7,454	30,205	–	478
Hollywood Plaza	610 Nathan Road, KIL 11024	2047	33.3%	9,139	17,941	–	–
Carmel-on-the-Hill	9 Carmel Village Street, KIL 11122	2050	100%	2,131	–	–	11

	Location	Lease Expiry	% Held by The Group	Total Gross Floor Area (sq.m.)# Commercial	Office and Industrial/ Office	Residential and Apartment	No. of Car Park Space
HONG KONG							
TSIM SHA TSUI AND WEST KOWLOON							
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	100%	3,688	7,198	–	–
Hanford Fashion	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	100%	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	100%	22,350	–	–	494
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	100%	20,174	–	–	390
NGAU TAU KOK							
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	100%	49,006	–	–	620
KWAI CHUNG							
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	100%	3,109	–	–	172
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	69.3%	120,188	–	–	835
Plaza 66	1266 Nan Jing Xi Lu, Jing'an District	2044	82.0%	53,700	159,555	–	804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	100%	109,307	–	–	864
Forum 66	Qingnian Da Jie, Shenhe District	2058	100%	101,960	–	–	2,139
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	100%	171,074	–	–	789
WUXI							
Center 66 (Phase 1)	Renmin Zhong Lu, Chong'an District	2059	100%	118,135	88,560	–	1,292
TIANJIN							
Riverside 66	Heping Lu, Heping District	2061	100%	152,831	–	–	800

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

\# Including gross floor area above and below ground

Financial Review

GROUP RESULTS

For the financial year ended December 31, 2014, turnover and operating profit of the Group soared by 86% and 90% to HK$17,030 million and HK$13,008 million, respectively. Turnover from property leasing increased by 9% to HK$7,216 million, with continual growth of mainland China and Hong Kong portfolios which recorded an 11% and 6% increment, respectively, when compared to a year ago. The Group took advantage of improved sentiments in the Hong Kong residential market by selling a total of 412 residential units and some car parking spaces in 2014. Turnover from property sales jumped 2.9 times to HK$9,814 million.

Correspondingly, underlying net profit attributable to shareholders reached HK$10,022 million, leaping 98% year-on-year. When including the revaluation gain of investment properties, net profit attributable to shareholders increased by 62% to HK$11,704 million and earnings per share rose similarly to HK$2.61.

BREAKDOWN OF TURNOVER AND OPERATING PROFIT OF THE GROUP

	Turnover			Operating Profit		
HK$ Million	**2014**	2013	Change	**2014**	2013	Change
Property Leasing	**7,216**	6,638	+9%	**5,589**	5,326	+5%
Mainland China	**3,916**	3,526	+11%	**2,800**	2,683	+4%
Hong Kong	**3,300**	3,112	+6%	**2,789**	2,643	+6%
Property Sales	**9,814**	2,500	+293%	**7,419**	1,511	+391%
Total	**17,030**	9,138	+86%	**13,008**	6,837	+90%

PROPERTY LEASING

Our core business, property leasing continued to achieve steady growth in a challenging business environment in mainland China and Hong Kong. Property leasing turnover and operating profit rose 9% and 5% to HK$7,216 million and HK$5,589 million, respectively. Our Tianjin Riverside 66 shopping mall had its grand opening on September 26, 2014. One month later, the office tower at Wuxi Center 66 also commenced operations. Both properties started contributing rental income to the Group in this reporting period.

Mainland China

Rental turnover generated by our mainland China portfolio advanced by 11% to HK$3,916 million for the year ended December 31, 2014. This growth was mainly attributable to the full year effect of Wuxi Center 66 mall and the stable performance of our Shanghai portfolio despite sliding sales of luxury goods during the year. Our two shopping malls in Shenyang achieved moderate rental growth, whereas the Jinan Parc 66 mall recorded an 8% drop in rents while the tenant reshuffling exercise was continuing. With more young properties being added to the Mainland portfolio, their relatively lower profitability during the startup period caused overall leasing margin of mainland China portfolio to fall 4.6 points to 71.5%. Total retail sales of our shopping malls on the Mainland exceeded RMB10 billion in 2014.

Shanghai Portfolio

Despite an increasingly competitive business environment, Plaza 66 and Grand Gateway 66 in Shanghai collected 5% more rents in total to HK$2,775 million, mainly benefitting from positive rental reversions. Rents collected by the two Shanghai malls reached HK$1,972 million or 7% higher than a year ago. The Grand Gateway 66 mall was almost fully let while occupancy rate of Plaza 66 mall stood at 96%. Retail sales of Plaza 66 slipped 4% given the adverse impact of persistent anti-grafting measures on luxury spending. On the other hand, Grand Gateway 66, which is more focused on trendy and lifestyle themes, recorded a 3% gain in retail sales year-on-year.

Rental turnover of the two office towers at Plaza 66 remained flat at HK$803 million. Amidst new supply in Shanghai, occupancy rate of the two office towers slipped four points to 91% as it took us longer than expected to fill the vacancy following the lease expiry of a major tenant who previously occupied 12% of the total leasable area.

Outside Shanghai Portfolio

For the financial year ended 2014, investment properties outside Shanghai contributed in total HK$1,141 million to the Group's rental turnover. That included the full year impact of Wuxi Center 66 mall and the additions of the Tianjin Riverside 66 mall and the office tower of Wuxi Center 66 during the second half of 2014.

At the year-end date, the Group had five shopping malls operating in Jinan, Shenyang (two malls), Wuxi and Tianjin and one office tower in Wuxi. Those properties are relatively young ranging from newly opened to four years old. As those properties are still going through a gestation period, tenant reshuffling and/or refinement are a normal process after completing the first or second lease cycle. Our young malls are no exception to this cycle. Inevitably, occupancy rates will be adversely affected during the process.

Hong Kong

Our diversified Hong Kong portfolio was resilient in the challenging market environment. Rental turnover and operating profit were both up by 6% to HK$3,300 million and HK$2,789 million, respectively. The resulting leasing margin was 84.5%.

BREAKDOWN OF RENTAL TURNOVER AND OCCUPANCY RATE OF HONG KONG PORTFOLIO

	Rental Turnover			Occupancy Rate	
HK$ Million	**2014**	2013	Change	**2014**	Change
Commercial	**1,832**	1,726	+6%	**98%**	–
Office and Industrial/Office	**1,048**	983	+7%	**94%**	-2% pts
Residential and Serviced Apartment	**295**	285	+3%	**73%**	-1% pt
Car Park	**125**	118	+6%	**N/A**	N/A
Total	**3,300**	3,112	+6%	**93%**	-1% pt

Commercial

The Hong Kong commercial portfolio collected 6% more rents to HK$1,832 million for the year ended December 31, 2014, largely attributable to positive rental reversions. Occupancy rate was maintained at 98%. The commercial portfolio accounted for 56% of Hong Kong rental turnover in 2014.

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

In the fourth quarter of 2014, an area of the Causeway Bay portfolio was closed for extensive renovation in order to transform the portfolio into a distinctive lifestyle destination of the district. The upgraded Main Block of Fashion Walk was unveiled in December 2014, featuring an array of international brands opening their first concept stores in Hong Kong. Despite various disruptions during the renovation period, the Causeway Bay commercial portfolio enjoyed a 2% rental growth year-on-year.

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

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

Office

The office portfolio collected 7% more rents to HK$1,048 million mainly attributable to positive rental reversions. Occupancy rate of the office portfolio stood at 94%.

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

Residential and Serviced Apartments

Rental turnover of residential and serviced apartments recorded a slight growth of 3% to HK$295 million in 2014. Serviced apartments had a good year with turnover leaping 14% year-on-year, driven by a higher occupancy rate after effective marketing campaigns. The performance of luxury apartments remained soft as corporate clients were cost-conscious.

PROPERTY SALES

Riding on improved sentiments in the Hong Kong residential market, the Group sold a total of 412 residential units (2013: 272 units) and some car parking spaces during 2014. Property sales turnover reached HK$9,814 million, soaring by 2.9 times against the previous year. The 412 residential units sold comprised 261 units of The HarbourSide (2013: 1 unit) and 151 units of The Long Beach (2013: 267 units). Overall profit margin realized was 75.6%.

PROPERTY REVALUATION

Our investment properties portfolio was re-valued by Savills, an independent valuer, as at December 31, 2014. Hong Kong investment properties recorded a revaluation gain of HK$1,595 million mainly driven by a higher valuation of the Causeway Bay commercial portfolio because of significant positive rental reversions. The investment properties in mainland China had a moderate gain of HK$110 million. Overall, a revaluation gain of HK$1,705 million was recognized in 2014, compared to a gain of HK$2,482 million in 2013.

INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

During the year, Tianjin Riverside 66 mall and Wuxi Center 66 office tower were transferred from investment properties under development to investment properties upon their opening for business. The value of investment properties increased by 12% to HK$120 billion.

Investment properties under development comprised several projects in mainland China including projects in Dalian, Kunming, Wuhan and the remaining phases of projects in Shenyang and Wuxi. The aggregate value was reduced by 16% to HK$25,611 million following the commencement of operations of Tianjin Riverside 66 mall and Wuxi Center 66 office tower during 2014.

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

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

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

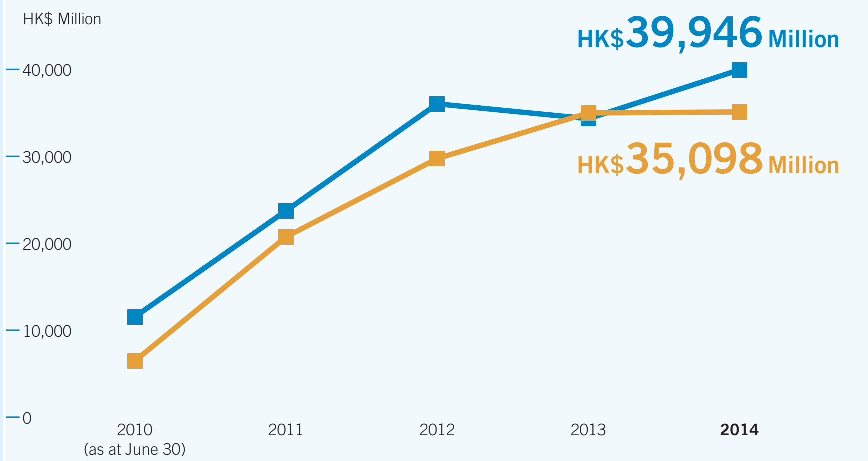
All other projects on the Mainland are progressing as planned.

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

FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

The Group continued to maintain a strong balance sheet, with net assets increased by 6% year-on-year. We had strong operating cash flow from both property leasing and property sales in 2014. Part of the property sales proceeds was used to repay bank loans. As at December 31, 2014, cash and bank balances of the Group amounted to HK$39,946 million. After netting off loan balances of HK$35,098 million, the Group had a net cash position of HK$4,848 million at year end date, compared to a net debt position of HK$658 million on the same reporting date last year.

CASH AND DEPOSITS WITH BANKS AND LOANS BALANCE AS AT DECEMBER 31



Close to 90% of the cash and bank balances was held in RMB bank deposits, providing a natural hedge against the currency fluctuations of our RMB construction commitments at the various projects in mainland China. The RMB deposits also earned a higher yield than Hong Kong dollar deposits. The Group continued to refine the debt capital structure to mitigate interest rate and re-financing risks. Through the Medium Term Notes Program ("MTN Program"), the Group had issued a total of HK$12,743 million fixed rate bonds as at December 31, 2014, accounting for 36% of total borrowings, compared with 21% last year. Those bonds were un-rated and issued with coupon rates ranging from 2.95% to 4.75% per annum. Weighted average loan tenor as at the balance sheet date was 3.8 years.

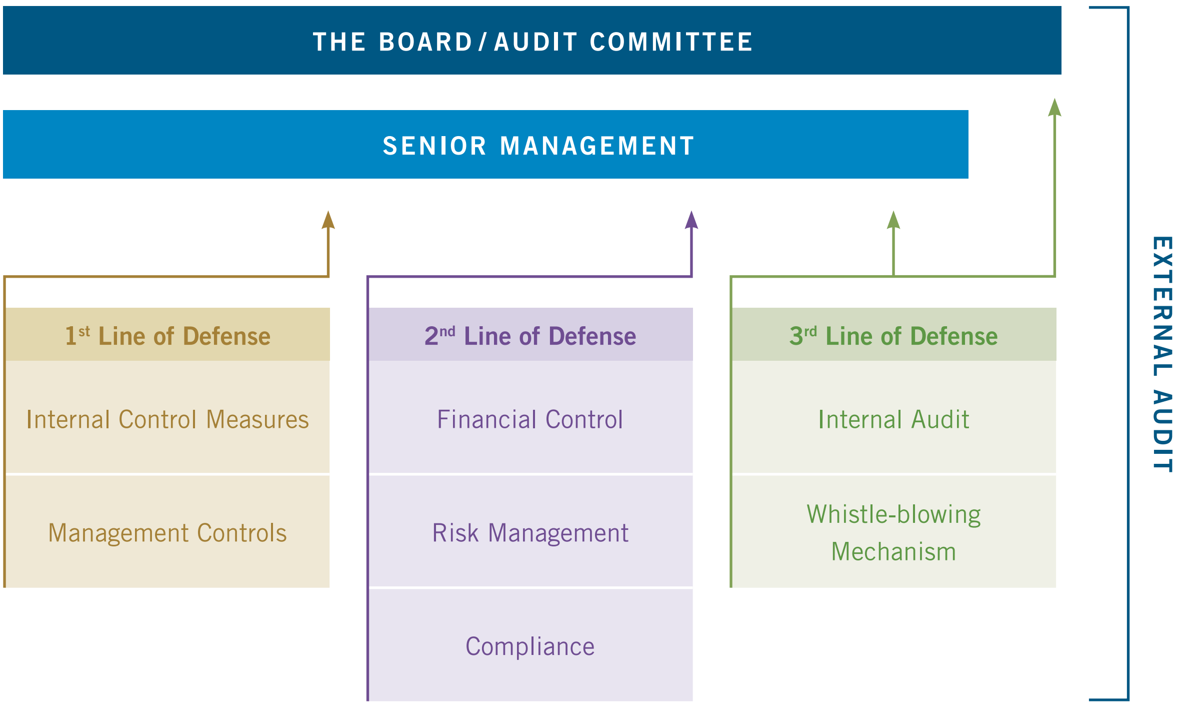
Total capital commitments of the Group at year end 2014 amounted to HK$47 billion. They were mainly RMB-denominated construction costs in respect of projects under development on the Mainland. These commitments would take many years to be completed. Taking into account our cash and bank balances of HK$40 billion and the committed undrawn banking facilities of HK$18 billion, the Group has ample financial resources to meet its capital commitments. In addition, under the current MTN Program, the Group can further issue bonds amounting to HK$10 billion.

The Group will continue to adopt a prudent and sound financial management strategy to support its long-term growth. With a strong balance sheet and high degree of liquidity, the Group is well positioned to seize new investment opportunities.

Risk Management

OVERALL RISK MANAGEMENT SYSTEM

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



	Key Roles	Enhancements in 2014
1st Line of Defense Business Operations	An established risk and control environment: • Involve in day-to-day risk management • Follow a risk process • Apply internal controls and risk responses	• Tightened tender process • Enhanced controls on variation claims made by consultants and contractors from our mainland China projects • Restructured property management team to dedicate resources for handover of new projects, establishment of best practices, and delivery of customer services
2nd Line of Defense Oversight Functions: Finance, Legal & Company Secretarial, Human Resources, Cost & Controls, and Other Head Office Functions	• Strategic management • Policy and procedure setting • Functional oversight	• Reinforced dual reporting line of functional heads for "check & balance" in our mainland China projects to Group function heads and local management • Established the Central Marketing and Central Leasing teams for coordination and monitoring of strategic marketing and rental activities • Renewed the risk management framework and process • Further standardization of property development projects, e.g. design, documentation, materials and bulk purchases, inter-departmental handovers • Clarified roles and responsibilities amongst planning, construction and operation departments in different phases of our mainland China projects • Re-examined the terms of the Asset Enhancement Committee
3rd Line of Defense Internal Audit	• Review 1st and 2nd lines • Provide an independent perspective and challenge the process • Be objective and offer assurance	• Completed a self-assessment of activities and increased level of resources for Internal Audit • Re-affirmed our whistle-blowing policy to internal and external stakeholders

Risk Management

INTERNAL CONTROL ENVIRONMENT

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

Our internal control systems are developed with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles. Details are covered in the Corporate Governance Report on page 101.

MANAGING KEY RISKS

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

Land Bank Acquisition and Property Development Risk

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

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

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

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

Treasury Risk

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

(a) Interest Rates and Foreign Exchange

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

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

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

(b) Cash Management, Funding and Liquidity

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

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

(c) Credit/Counterparty

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

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

(d) Use of Derivatives

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

Business and Operational Risk

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

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

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

People Risk

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

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

SUMMARY OF PRINCIPAL RISKS AND KEY CONTROLS

Land Bank Acquisition and Property Development Risk

- Close monitoring on market fluctuations and changes in government policies in mainland China
- A solid land bank
- Risk-and-return assessments
- Periodic reviews of project costs and progress
- Controls over variations/changes during construction
- Quality assurance reviews on projects under development
- Tight tendering procedures
- Regular reporting to the Board

Business and Operational Risk

- Close monitoring on market trends and business environment
- Regular maintenance and renovation of facilities
- Oversight by Asset Enhancement Committee and professionals
- Appropriate insurance coverage
- Internal Audit
- Crisis management plan

Treasury Risk

(i) Interest rates and foreign exchange
- Management of fixed/floating debt ratio against interest rate fluctuations
- Use of recurring rental turnover in Renminbi as a natural hedge against loans
- Appropriate level of Renminbi reserves to meet capital requirements for ongoing projects in mainland China

(ii) Cash management, funding and liquidity
- Central treasury management
- Manage and plan maturity of deposits and loans

(iii) Credit/Counterparty
- Credit assessments
- Rental deposits
- Close monitoring of outstanding receivables
- Use of banks with good financial strength and credit ratings

(iv) Derivatives
- Prohibition of use of derivatives for speculation

People Risk

- Periodic remuneration package evaluation and benchmarking
- Management succession plan
- Staff training program and support
- Grievance reporting system

Caring Insights

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

恒隆數學獎
HANG LUNG
MATHEMATICS AWARDS
二零一四年恒隆數學獎頒獎典禮
10th Anniversary
2014 Hang Lung Mathematics Awards
Announcement and Awards Presentation
香港中文大學
THE CHINESE UNIVERSITY OF HONG KONG

Sustainable Development

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

OUR FOUNDATION

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

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

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

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

OUR BUILDINGS

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

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

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

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

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

↓14%
Electricity consumption

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

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

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

OUR PEOPLE

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

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

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

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

OUR COMMUNITIES

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

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

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

Community engagement

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

Support for communities

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

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

Youth development

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

Volunteer Hours
11,000
↑72%

Promoting green living

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

Services for the elderly

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

OUR PARTNERSHIPS

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

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

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

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

Financial Calendar

2014

JUL	
Announcement of interim results	July 31, 2014
SEP	
Interim dividend paid	September 30, 2014

2015

JAN	
Announcement of annual results	January 26, 2015
APR	
Latest time for lodging transfers (for attending and voting at annual general meeting)	4:30 p.m. on April 27, 2015
Closure of share register (for attending and voting at annual general meeting)	April 28 to 29, 2015 (both days inclusive)
Annual general meeting (Details are set out in the notice of annual general meeting accompanying this annual report)	10:00 a.m. on April 29, 2015
MAY	
Latest time for lodging transfers (for final dividend)	4:30 p.m. on May 5, 2015
Closure of share register (for final dividend)	May 6, 2015
Proposed final dividend payable	May 19, 2015

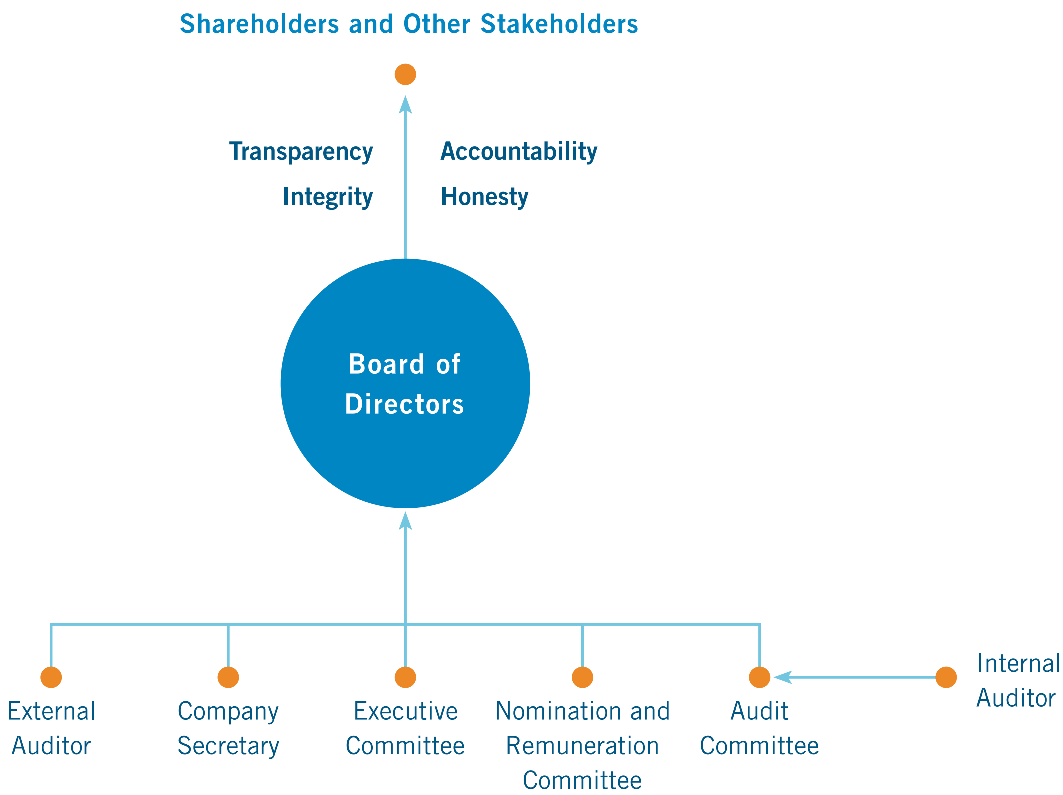
Corporate Governance Report

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

OUR STRONG BELIEF IN GOVERNANCE

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

CORPORATE GOVERNANCE STRUCTURE



A SOUND CORPORATE CULTURE

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

PROFESSIONAL AND RESPONSIBLE BOARD

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

PRUDENT RISK MANAGEMENT

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

- Six regular Board Meetings were held in 2014.
- A strong independent element is maintained on the Board as over half of the Board is represented by Independent Non-Executive Directors.
- Management is invited to join the Board Meetings, where appropriate, to provide appropriate information to enable the Directors to make an informed decision and to discharge their duties and responsibilities.
- The Nomination and Remuneration Committee is made up of entirely Independent Non-Executive Directors to ensure no Executive Director is involved in deciding his own remuneration package.
- The Audit Committee met the external auditor four times without the presence of the Executive Board members in 2014.
- Since 2008, the Company has announced its interim and annual results within one month from the end of the accounting period.
- Our Internal Audit Department is independent of our daily operation and accounting functions.
- The Company has adopted a corporate Code of Conduct since 1994 which is applicable to all staff and Directors. The Code of Conduct contains our well-defined whistle-blowing policy.
- The Company has been publishing a separate Sustainability Report before the Stock Exchange's introduction of the Environmental, Social and Governance Reporting Guide as a recommended practice for the financial years ending after December 31, 2012. The standalone Sustainability Report is available on our website and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").
- The Company continuously enhances its website as a means of communication with stakeholders. Principal corporate governance structures, newsletters and webcasts of analysts' briefings are available on our website.
- The Group has reviewed and revised the policy governing the engagement of the external auditor for non-audit services to ensure the independence of the external auditor.
- In addition to the Chairman's Letter to Shareholders, the Chairman explains to the shareholders the business strategies and outlook of the Group in the annual general meeting ("AGM") and proactively opens a dialogue with shareholders.

(I) Effective and Qualified Board

1. Composition and Functions

The list of Board members is set out on page 203 of this annual report. Board members possess diverse academic and professional qualifications or related financial management expertise and bring a wide range of business and financial experience to the Board.

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

The Board Diversity Policy was taken into account by the Nomination and Remuneration Committee and the Board in the appointment of Dr Andrew K.C. Chan as Non-Executive Director of the Company in October 2014. The diversity of the Board was further enhanced in terms of balance of skills, experience and professional background. The current Board consists of a diverse mix of Board members with appropriate skills and experience to lead and oversee the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.

An updated list of Board members identifying their roles and functions and whether they are Independent Non-Executive Directors is maintained on our website and the website of HKEx. Their biographical details, disclosed on pages 123 to 129 of this annual report, are also maintained on our website.

The Board is responsible for, among other things:

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

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

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

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

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

	Meetings Attended/Held			
Directors	**Board**	**Audit Committee**	**Nomination and Remuneration Committee**	**2014 AGM**
Independent Non-Executive Directors				
S.S. Yin	5 / 6	N/A	N/A	1 / 1
Ronald J. Arculli	5 / 6	N/A	1 / 1	1 / 1
H.K. Cheng	6 / 6	4 / 4	1 / 1	1 / 1
Laura L.Y. Chen	6 / 6	4 / 4	1 / 1	0 / 1
P.W. Liu	6 / 6	4 / 4	1 / 1	1 / 1
Dominic C.F. Ho	6 / 6	4 / 4	1 / 1	0 / 1
Nelson W.L. Yuen*	6 / 6	N/A	N/A	1 / 1
Non-Executive Director				
Andrew K.C. Chan#	1 / 1	N/A	N/A	N/A
Executive Directors				
Ronnie C. Chan	6 / 6	N/A	N/A	1 / 1
Philip N.L. Chen	6 / 6	N/A	N/A	1 / 1
H.C. Ho	6 / 6	N/A	N/A	1 / 1

* Mr Nelson W.L. Yuen was re-designated from Non-Executive Director to Independent Non-Executive Director of the Company on November 10, 2014.

Dr Andrew K.C. Chan was appointed as Non-Executive Director of the Company on October 20, 2014 and only one Board meeting was held from his date of appointment up to December 31, 2014.

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

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

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

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

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

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

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

2. Clear Division of Responsibilities between Chairman and Managing Director

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

Chairman

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

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

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

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

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

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

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

Managing Director

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

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

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

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

3. Independence of Non-Executive Directors

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

On November 10, 2014, Mr Nelson W.L. Yuen was re-designated from Non-Executive Director to Independent Non-Executive Director of the Company. Other than holding the office of Non-Executive Director immediately prior to the re-designation, Mr Nelson W.L. Yuen confirmed that he had satisfied all factors set out in rule 3.13 of the Listing Rules in assessing his independence. As disclosed in the announcement of the Company on November 10, 2014, Mr Nelson W.L. Yuen had gone through more than four years' cooling-off period since his retirement as managing director of the Company and had not held any executive or management function or position in the Company or its subsidiaries since his appointment as Non-Executive Director. In addition, he did not have any business connections with the Company nor Hang Lung Group Limited (the ultimate holding company of the Company) except performing the duty of Non-Executive Director of the Company. In view of the above, the Company considered that Mr Nelson W.L. Yuen met the independence requirements of the Listing Rules.

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

4. Appointment, Re-election and Removal

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

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

5. Directors' Continuous Professional Development

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

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

Directors' training records in 2014 are summarized below:

Directors	Types of Training
Ronnie C. Chan	A, B, C, D
S.S. Yin	A, B, D
Philip N.L. Chen	A, B, C, D
Andrew K.C. Chan	A, B, C, D
Ronald J. Arculli	A, B, C, D
H.K. Cheng	A, B, D
Laura L.Y. Chen	A, B
P.W. Liu	A, B, C, D
Dominic C.F. Ho	A, B, D
Nelson W.L. Yuen	A, B, D
H.C. Ho	A, B, D

A Attending seminar(s)/forum(s)

B Reading materials relating to general business, property development and investment, directors' duties and responsibilities and so on

C Giving talks to external seminar(s)/forum(s)

D Attending corporate event(s)/visit(s)

(II) Delegation by the Board

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

1. Executive Committee

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

2. Audit Committee

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

Under the CG Code, it is required that meetings are held at least two times a year with the external auditor. Separate meetings will also need to be held with the external auditor (in the absence of management) as and when required. The Audit Committee has exceeded the CG Code and has held four meetings for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Group's internal controls in 2014. Moreover, the Committee met the external auditor four times in 2014 without the presence of the Executive Board members.

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

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

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

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

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

Corporate Governance Functions

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

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

3. Nomination and Remuneration Committee

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

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

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

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

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

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

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

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

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

4. Management Functions

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

(III) Directors' Securities Transactions and Share Interests

1. Compliance with Model Code

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

2. Share Interests of Directors

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

	The Company		Hang Lung Group Limited	
Name of Directors	**Number of Shares**	**Number of Shares under Option**	**Number of Shares**	**Number of Shares under Option**
Ronnie C. Chan	5,090,000	38,730,000	5,090,000	6,700,000
S.S. Yin	–	–	–	–
Philip N.L. Chen	–	21,500,000	–	–
Andrew K.C. Chan	–	–	–	–
Ronald J. Arculli	724,346	–	1,089,975	–
H.K. Cheng	–	–	–	–
Laura L.Y. Chen	–	–	–	–
P.W. Liu	100,000	–	–	–
Dominic C.F. Ho	–	–	–	–
Nelson W.L. Yuen	–	24,320,000	–	–
H.C. Ho	–	10,450,000	–	–

(IV) Accountability and Audit

1. Financial Reporting

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

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

2. Internal Controls

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We identify major risks in different areas of the Group. The major risks have been covered under the paragraph headed "Risk Management" in the Management Discussion and Analysis on page 86 of this annual report.

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

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

3. Code of Conduct

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

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

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

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

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

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

4. Auditors' Remuneration

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

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

	Year ended December 31, 2014 HK$ (in million)	Year ended December 31, 2013 HK$ (in million)
Statutory audit services	**8**	7
Tax and other services	**5**	5

(V) Communication with Stakeholders

1. Shareholders

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

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

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

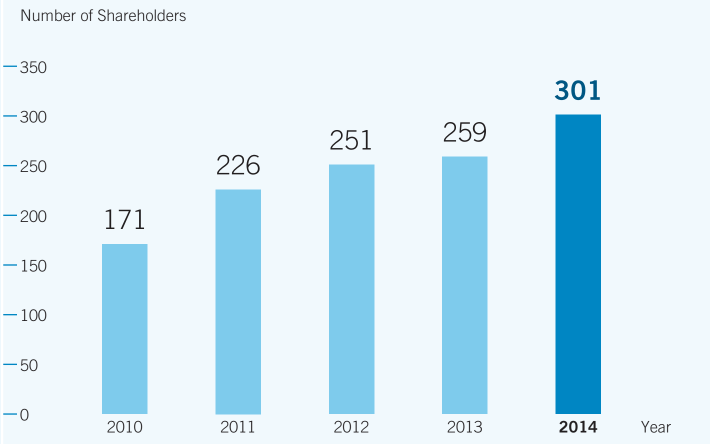
Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to the Companies Ordinance. The request must state the business to be dealt with at the meeting, signed by the relevant shareholder(s) and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

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

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

Our last AGM was held on April 24, 2014 at Meeting Room S421, Level 4, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong. The meeting was attended by 301 shareholders present in person or by proxy. At the meeting, the Chairman had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting a poll. All resolutions tabled at the 2014 AGM, inter alia, adoption of the financial statements, re-election of Directors, re-appointment of auditor, renewal of general mandates and adoption of new articles of association of the Company in substitution of the then memorandum and articles of association of the Company were voted on by poll, and the results of poll voting were posted on the websites of our Company and of HKEx in the evening on the same day.

SHAREHOLDERS PARTICIPATION IN AGMs



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

2. Investors

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

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	2,984	94.49	4,475,767,070	99.79
Mainland China	54	1.71	3,932,490	0.09
Macau	7	0.22	376,933	0.01
Taiwan	2	0.06	593	0.00
Australia and New Zealand	9	0.28	14,105	0.00
Canada and USA	45	1.43	2,588,800	0.05
South East Asia	45	1.43	2,611,917	0.06
United Kingdom	8	0.25	14,400	0.00
Others	4	0.13	3,362	0.00
TOTAL	**3,158**	**100.00**	**4,485,309,670**	**100.00**

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

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 - 1,000 shares	1,463	46.33	688,674	0.02
1,001 - 5,000 shares	800	25.33	2,230,880	0.05
5,001 - 10,000 shares	317	10.04	2,597,120	0.06
10,001 - 100,000 shares	479	15.17	16,453,041	0.37
Over 100,000 shares	99	3.13	4,463,339,955	99.50
TOTAL	**3,158**	**100.00**	**4,485,309,670**	**100.00**

* incorporating, in their respective shareholdings range, 417 participants of Central Clearing and Settlement System holding a total of 2,821,097,319 shares registered in the name of HKSCC Nominees Limited

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

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

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

MOVING FORWARD

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

Profile of the Directors

Mr Ronnie Chichung Chan

Chairman

Aged 65, Mr Chan joined the Group in 1972 and was appointed to the Board of Hang Lung Properties Limited in 1986 before becoming Chairman in 1991. He also serves as Chairman of Hang Lung Group Limited.
Mr Chan is Chairman of the Executive Committee of One Country Two Systems Research Institute, Vice-President of The Real Estate Developers Association of Hong Kong, Co-Chair of the Board of Asia Society and Chairman of its Hong Kong Center. He also acts as an advisor to China Development Research Foundation in Beijing. Mr Chan sits on the governing or advisory bodies of several think-tanks and universities, including Peter G. Peterson Institute for International Economics, The Hong Kong University of Science and Technology, and University of Southern California, USA, where he received his MBA.

Mr Shang Shing Yin

Vice Chairman (Independent Non-Executive Director)

Aged 83, Mr Yin joined Hang Lung in 1970 and was appointed to the Board of Hang Lung Properties Limited in 1980. A past Managing Director, he has been Vice Chairman since 1992. He has over 40 years of experience in the fields of property investment and development, and is a qualified banker with a Banking Diploma from The Chartered Institute of Bankers in London, UK. Mr Yin also serves as Vice Chairman of Hang Lung Group Limited.

Mr Philip Nan Lok Chen

Managing Director

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

Dr Andrew Ka Ching Chan BBS, JP

Non-Executive Director

Aged 65, Dr Chan joined the Board as a Non-Executive Director on October 20, 2014. Dr Chan is Chairman of Trustees' Board of the global Arup Group, one of the world's foremost multi-disciplinary engineering consultants. Previously, he was the Deputy Chairman of Arup Group and retired on October 17, 2014. Dr Chan is an expert in civil and geotechnical engineering with over 40 years of experience in the engineering profession, and is distinguished for his leadership in the creation, design and delivery of many innovative and award-winning building projects as well as major infrastructure schemes in many cities in Asia. He is a past President and Gold Medallist of The Hong Kong Institution of Engineers, Founding Chairman of the Hong Kong Green Building Council, Honorary Fellow of the Hong Kong University of Science and Technology, Fellow and Senior Vice President of the Hong Kong Academy of Engineering Sciences and Fellow of the Royal Academy of Engineering, UK's national academy. Dr Chan obtained his PhD degree from the University of Cambridge in Soil Mechanics. He was appointed Justice of the Peace in 2006 and awarded the Bronze Bauhinia Star in 2012.

Mr Ronald Joseph Arculli GBM, CVO, GBS, OBE, JP

Independent Non-Executive Director

Aged 76, Mr Arculli joined the Board in 1980. Mr Arculli is a practicing solicitor and was a Member of the Legislative Council of Hong Kong from 1988 to 2000, representing the Real Estate and Construction functional constituency between 1991 and 2000. He was a Non-Official Member of the Executive Council of the HKSAR from November 2005 to June 2012, and served as Convenor from October 2011 to June 2012. Mr Arculli was the Independent Non-Executive Chairman of Hong Kong Exchanges and Clearing Limited from April 2006 to April 2012, and remained as an Independent Non-Executive Director until his retirement in April 2013. He has a distinguished record of public service and has served on numerous government committees and advisory bodies. Mr Arculli is a Non-Executive Director of HKR International Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited, Tsim Sha Tsui Properties Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited (all are listed companies except HK Electric Investments Manager Limited). He previously acted as an Independent Non-Executive Director of SCMP Group Limited and a Non-Executive Director of Power Assets Holdings Limited and Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited).

Dr Hon Kwan Cheng GBS, OBE, JP

Independent Non-Executive Director

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

Ms Laura Lok Yee Chen

Independent Non-Executive Director

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

Professor Pak Wai Liu SBS, JP

Independent Non-Executive Director

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

Mr Dominic Chiu Fai Ho

Independent Non-Executive Director

Aged 64, Mr Ho joined the Board as an Independent Non-Executive Director in April 2008. He retired as co-chairman of KPMG, China and HKSAR on March 31, 2007. Mr Ho obtained his degrees at the University of Houston in the United States and is a member of the American Institute of Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He was a past member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and of the Insurance Advisory Committee, both in Hong Kong, and was a Non-Executive and Independent Director of Singapore Telecommunications Limited.

Mr Nelson Wai Leung Yuen

Independent Non-Executive Director

Aged 64, Mr Yuen joined Hang Lung in 1978, became an Executive Director of the Company in 1986, and was appointed as Managing Director of the Company and its holding company, Hang Lung Group Limited, in 1992 until he retired in July 2010. He became a Non-Executive Director of the Company in March 2011 and was re-designated as Independent Non-Executive Director in November 2014. Mr Yuen is a graduate of The University of Manchester, UK and a Fellow of The Institute of Chartered Accountants in England and Wales.

Professor Hsin Kang Chang GBS, JP

Independent Non-Executive Director

(Appointment effective April 17, 2015)

Aged 74, Professor Chang has been appointed as an Independent Non-Executive Director effective April 17, 2015. Professor Chang became an Honorary Professor in 2006 and Yeh-Lu Xun Chair Professor from 2008 to 2015 at Peking University, and an Honorary Professor at Tsinghua University in 2007. Professor Chang was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was Dean of the School of Engineering at the University of Pittsburgh in the US from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994, and Chairman of the Department of Biomedical Engineering at the University of Southern California in the US from 1985 to 1990. Professor Chang taught at several major universities in North America and served in a number of scholarly societies and public advisory bodies in the US, serving as President of Biomedical Engineering Society of the US in 1988-89. In Hong Kong, he was Chairman of the Cultural and Heritage Commission from 2000 to 2003, a member of the Council of Advisors on Innovation and Technology from 2000 to 2004 and a member of Judicial Officers Recommendation Commission from 1999 to 2005. Professor Chang is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, Member of International Eurasian Academy of Sciences, Chévalier dans l'Ordre National de la Légion d'Honneur and Commandeur dans l'Ordre des Palmes Académiques of France. He obtained his Bachelor's degree in civil engineering from National Taiwan University in 1962, Master's degree in structural engineering from Stanford University in the US in 1964 and Ph.D degree in biomedical engineering from Northwestern University in the US in 1969. He is an Independent Non-Executive Director of Brightoil Petroleum (Holdings) Limited, HKT Trust and HKT Limited and Hon Kwok Land Investment Company, Limited. He was appointed Justice of the Peace in 1999 and awarded the Gold Bauhinia Star in 2002.

Mr Hau Cheong Ho

Executive Director

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

Profile of Key Executives

Mr Norman Ka Ngok Chan

Director – Leasing & Sales

Aged 62, Mr Chan joined the Group in 2013 as Director – Leasing & Sales. He is responsible for formulating and implementing strategies and business plans for the development of the Group's property leasing and management in Hong Kong and on the Mainland. Mr Chan possesses over 30 years of experience in property leasing and management. He holds a Bachelor of Commerce degree from The University of Alberta, Canada. He is a Chartered Accountant of The Institute of Chartered Accountants of Alberta, a Fellow Member and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Ms Bella Peck Lim Chhoa

Company Secretary, General Counsel and Assistant Director – Corporate Affairs

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

Mr Gabriel Kai Wah Cheung

Assistant Director - Cost & Controls

Aged 54, Mr Cheung joined the Group as Head of Cost & Controls in 2013 and was appointed as Assistant Director – Cost & Controls in 2014. Mr Cheung possesses over 30 years of experience in cost & controls management in Hong Kong and on the Mainland. Mr Cheung holds a Master of Construction Management degree from the University of New South Wales, Australia. He is a Registered Professional Surveyors (Quantity Surveying) of Hong Kong, a Fellow of the Hong Kong Institute of Construction Managers, a Fellow of the Chartered Institute of Building, a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors, a Member of the Chartered Institute of Arbitrator and a Member of the Association of Cost Engineers. He is also an Honorary Fellow of Shenzhen Cost Engineer Association and holds the qualification for Registered Cost Engineer in mainland China.

Mr Chuk Fai Kwan

Assistant Director – Corporate Communications

Aged 55, Mr Kwan joined the Group as Assistant Director – Corporate Communications in 2011. Mr Kwan possesses over 25 years of experience in public relations and corporate affairs. He holds an Executive MBA degree from The University of Western Ontario, Canada, and a Bachelor of Arts degree from The University of Hong Kong.

Mr Peter Ting San Leung

Assistant Director – Project Construction

Aged 54, Mr Leung joined the Group as Assistant Director – Project Construction in 2014. Mr Leung possesses over 25 years of experience in developing and managing projects on the Mainland and overseas. He holds a Postgraduate Diploma in Construction Project Management from The University of Hong Kong, a Bachelor of Architecture degree and a Bachelor of Science (Architecture) degree from McGill University, Canada. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and holds a PRC Class 1 Registered Architect Qualification.

Mr Moses Woon Tim Leung

Assistant Director – Project Planning

Aged 47, Mr Leung joined the Group as Senior Manager – Project Construction in 2007 and was appointed as Assistant Director – Project Planning in 2011. He possesses over 20 years of experience in project design with various consultant firms and in exposure to Mainland projects. Mr Leung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorized Person under the Buildings Ordinance.

Mr Adrian Kin Leung Lo

Assistant Director – Project Construction

Aged 54, Mr Lo joined the Group as Assistant Director – Project Construction in 2013. Mr Lo possesses over 25 years of experience in architectural design and project management for both Hong Kong and Mainland projects. Mr Lo holds a Master of Business Administration degree from Asia International Open University, Macau, a Bachelor of Architecture degree and a Bachelor of Arts degree in Architectural Studies from The University of Hong Kong. He is also a Registered Architect in Hong Kong, an Authorized Person under Buildings Ordinance and a Member of The Hong Kong Institute of Architects.

Mr Gavin Yee Liang Lu

Assistant Director – Project Construction

Aged 53, Mr Lu joined the Group as Assistant Director – Project Construction in 2010. Mr Lu possesses 30 years of experience in architectural design, business development and project management with major property developers and leading consultants. He has extensive exposure to property development and property management on the Mainland and in the Asia Pacific region. Mr Lu has a Bachelor of Science degree in Architecture and a Bachelor of Architecture degree from The University of Newcastle, Australia. He is a Registered Architect in Singapore, a Member of The Royal Institute of British Architects and a Member of The Singapore Institute of Architects.

Mr Ricky Kon Wai Lui

Assistant Director – Project Construction

Aged 49, Mr Lui joined the Group as Assistant Director – Project Construction in 2014. Mr Lui possesses over 25 years of experience in land acquisition, project development and asset management in Hong Kong, the Mainland and Overseas. He holds a Master of Business Administration degree from University of Warwick, UK. He is also a Member of The Chartered Institute of Building.

Mr Raymond Wai Man Mak

Assistant Director and Group Financial Controller

Aged 51, Mr Mak joined the Group as Assistant Director & Group Financial Controller in 2011. Mr Mak possesses over 25 years of experience in finance, auditing and as company secretary. He holds a Master of Business Administration degree from The University of Warwick, UK. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Chartered Association of Certified Accountants, UK.

Mr Ricky Tin For Tsang

Assistant Director and Head of Corporate Audit

Aged 53, Mr Tsang joined the Group as Assistant Director – Head of Corporate Audit in 2014. Mr Tsang possesses over 25 years of finance, audit and risk management experience. He holds a Master and a Bachelor of Arts degree in Engineering Science from The University of Oxford, UK. He is a Fellow of The Hong Kong Institute of Certified Public Accountants, a Member of The Institute of Chartered Accountants in England and Wales and a Member of The Association of Corporate Treasurers, UK.

Ms Mary Yuen Yee Yan

Assistant Director – Leasing & Management

Aged 47, Ms Yan joined the Group as Assistant Director – Leasing & Management in 2014. Ms Yan possesses over 20 years of experience in property leasing and management. She holds a Bachelor of Arts degree from The University of Hong Kong.

Mr William Wing Chung Yiu

Assistant Director – Leasing & Management

Aged 44, Mr Yiu joined the Group as Assistant Director - Corporate Audit in 2011 and was appointed as Assistant Director – Leasing & Management in 2013. Mr Yiu possesses over 20 years of finance, internal audit and mainland China taxation experience. He holds a Master of Business Administration degree from the California State University, Hayward, USA, and a Bachelor of Economics degree from Monash University, Australia. He is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Institute of Internal Auditors.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, and through its subsidiaries, property investment for rental income, property development for sales and leasing, car park management and property management.

An analysis of the turnover and trading results of the Company and its subsidiaries (collectively referred to as the "Group") by operating segments during the financial year is set out in Note 3 on the Financial Statements.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

A list of principal subsidiaries and joint ventures, together with their places of operations and incorporation and particulars of their issued share capital/registered capital is set out in Notes 35 and 36 on the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended December 31, 2014, and the state of affairs of the Company and of the Group at that date are set out in the Financial Statements on pages 143 to 201.

TEN-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 202.

DIVIDENDS

The directors now recommend a final dividend of HK59 cents per share which, together with the interim dividend of HK17 cents per share paid on September 30, 2014, makes a total of HK76 cents per share in respect of the year ended December 31, 2014. The proposed final dividend, if approved by the shareholders at the annual general meeting on April 29, 2015, will be paid on May 19, 2015 to shareholders whose names appear on the register of members on May 6, 2015.

MAJOR SUPPLIERS AND CUSTOMERS

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

RESERVES

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

DONATIONS

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

FIXED ASSETS

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

BANK LOANS AND OTHER BORROWINGS

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

BORROWING COSTS CAPITALIZATION

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

MAJOR GROUP PROPERTIES

Details of major properties of the Group as at December 31, 2014 are set out on pages 76 to 79.

SHARE CAPITAL

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

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

DIRECTORS

The directors of the Company who served during the year and up to the date of this report are Mr Ronnie C. Chan, Mr S.S. Yin, Mr Philip N.L. Chen, Dr Andrew K.C. Chan (from October 20, 2014), Mr Ronald J. Arculli, Dr H.K. Cheng, Ms Laura L.Y. Chen, Professor P.W. Liu, Mr Dominic C.F. Ho, Mr Nelson W.L. Yuen and Mr H.C. Ho. Their brief biographical details are set out on pages 123 to 129 and details of their remuneration are set out in Note 7 on the Financial Statements.

Mr Nelson W.L. Yuen was re-designated from non-executive director to independent non-executive director of the Company on November 10, 2014.

Dr Andrew K.C. Chan, being non-executive director of the Company newly appointed on October 20, 2014, will retire from the Board at the forthcoming annual general meeting in accordance with article 94 of the Company's articles of association and, being eligible, will offer himself for re-election.

In accordance with articles 103 and 104 of the Company's articles of association, Mr Ronald J. Arculli, Mr Ronnie C. Chan and Mr H.C. Ho will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

		The Company (Long Position)			Hang Lung Group Limited (Long Position)		
Name of Directors	**Capacity**	**Number of Shares**	**% of Number of Issued Shares**	**Number of Shares under Option** (Note 1)	**Number of Shares**	**% of Number of Issued Shares**	**Number of Shares under Option** (Note 2)
Ronnie C. Chan	Personal	5,090,000	0.11	38,730,000	5,090,000	0.38	6,700,000
S.S. Yin	–	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	21,500,000	–	–	–
Andrew K.C. Chan	–	–	–	–	–	–	–
Ronald J. Arculli	Personal & Corporate	724,346	0.02	–	1,089,975	0.08	–
H.K. Cheng	–	–	–	–	–	–	–
Laura L.Y. Chen	–	–	–	–	–	–	–
P.W. Liu	Personal & Family	100,000	–	–	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–	–
Nelson W.L. Yuen	Personal	–	–	24,320,000	–	–	–
H.C. Ho	Personal	–	–	10,450,000	–	–	–

Notes

1. Movements of Options under the Share Option Schemes of the Company

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

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2014	Number of Shares under Option: Exercised during the Year	Number of Shares under Option: As at Dec 31, 2014	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
05/20/2004	Ronnie C. Chan	5,090,000	5,090,000	–	$9.20	05/20/2005 : 25% 05/20/2006 : 25% 05/20/2007 : 25% 05/20/2008 : 25%	05/19/2014
11/20/2006	Ronnie C. Chan	2,000,000	–	2,000,000	$17.14	11/20/2007 : 10% 11/20/2008 : 20% 11/20/2009 : 30% 11/20/2010 : 40%	11/19/2016
08/21/2007	Ronnie C. Chan Nelson W.L. Yuen	3,640,000 3,510,000	– –	3,640,000 3,510,000	$25.00	08/21/2008 : 10% 08/21/2009 : 20% 08/21/2010 : 30% 08/21/2011 : 40%	08/20/2017
08/21/2007	Ronnie C. Chan Nelson W.L. Yuen	5,600,000 5,400,000	– –	5,600,000 5,400,000	$25.00	08/21/2009 : 10% 08/21/2010 : 20% 08/21/2011 : 30% 08/21/2012 : 40%	08/20/2017
09/01/2008	H.C. Ho	300,000	–	300,000	$24.20	09/01/2010 : 10% 09/01/2011 : 20% 09/01/2012 : 30% 09/01/2013 : 40%	08/31/2018
12/31/2008	Ronnie C. Chan Nelson W.L. Yuen H.C. Ho	9,240,000 8,910,000 300,000	– – –	9,240,000 8,910,000 300,000	$17.36	12/31/2010 : 10% 12/31/2011 : 20% 12/31/2012 : 30% 12/31/2013 : 40%	12/30/2018
02/08/2010	Ronnie C. Chan Nelson W.L. Yuen	6,500,000 6,500,000	– –	6,500,000 6,500,000	$26.46	02/08/2012 : 10% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
07/29/2010	Philip N.L. Chen	10,000,000	–	10,000,000	$33.05	07/29/2012 : 10% 07/29/2013 : 20% 07/29/2014 : 30% 07/29/2015 : 40%	07/28/2020
09/29/2010	H.C. Ho	2,000,000	–	2,000,000	$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
06/13/2011	Ronnie C. Chan Philip N.L. Chen H.C. Ho	4,500,000 4,500,000 3,000,000	– – –	4,500,000 4,500,000 3,000,000	$30.79	06/13/2013 : 10% 06/13/2014 : 20% 06/13/2015 : 30% 06/13/2016 : 40%	06/12/2021

1. Movements of Options under the Share Option Schemes of the Company (continued)

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

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

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

2. Movement of Options under the Share Option Scheme of Hang Lung Group Limited

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

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

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

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

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

		Number of Shares or Underlying Shares Held		% of Number of Issued Shares	
Name	Note	**(Long Position)**	**(Short Position)**	**(Long Position)**	**(Short Position)**
Chan Tan Ching Fen	1	2,414,919,340	–	53.84	–
Cole Enterprises Holdings Limited	1	2,414,919,340	–	53.84	–
Merssion Limited	1	2,414,919,340	–	53.84	–
Hang Lung Group Limited	2	2,386,586,240	–	53.21	–
Prosperland Housing Limited	3	1,267,608,690	–	30.60	–
Purotat Limited	3	354,227,500	–	8.55	–
Aberdeen Asset Management Plc and its associates	4	279,169,608	–	6.22	–
OppenheimerFunds, Inc.	4	224,617,800	–	5.01	–

Notes

1. These shares were the same parcel of shares held by a trust of which Ms Chan Tan Ching Fen was the founder. Cole Enterprises Holdings Limited was the trustee of the trust. Cole Enterprises Holdings Limited and Merssion Limited held 36.79% interests in Hang Lung Group Limited ("HLGL"). The shares held by HLGL and its subsidiaries were included in the above-mentioned number of 2,414,919,340.
2. These shares were held by the wholly-owned subsidiaries of HLGL and as such HLGL was deemed to be interested in these shareholdings.
3. These companies are wholly-owned subsidiaries of HLGL. Their interests were included in the above-mentioned number of 2,386,586,240 shares held by HLGL.
4. These shares were held in the capacity of investment managers.

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

RELATED PARTY TRANSACTIONS

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

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

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 101 to 122.

AUDITOR

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

By Order of the Board
Bella Peck Lim Chhoa
Company Secretary
Hong Kong, January 26, 2015

Independent Auditor's Report

Independent auditor's report to the shareholders of Hang Lung Properties Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hang Lung Properties Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 143 to 201, which comprise the consolidated and company statements of financial position as at December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

KPMG
Certified Public Accountants

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

January 26, 2015

Financial Statements

Consolidated Income Statement

For the year ended December 31, 2014

in HK$ Million	Note	2014	2013
Turnover	3(a)	**17,030**	9,138
Direct costs and operating expenses		**(4,022)**	(2,301)
Gross profit		**13,008**	6,837
Other net (loss)/income	4	**(2)**	36
Administrative expenses		**(644)**	(642)
Operating profit before change in fair value of investment properties		**12,362**	6,231
Increase in fair value of investment properties	12	**1,705**	2,482
Operating profit after change in fair value of investment properties		**14,067**	8,713
Interest income		**924**	793
Finance costs		**(671)**	(398)
Net interest income	5	**253**	395
Share of profits of joint ventures	14	**75**	96
Profit before taxation	3(a) & 6	**14,395**	9,204
Taxation	8(a)	**(2,242)**	(1,447)
Profit for the year		**12,153**	7,757
Attributable to:			
Shareholders	23	**11,704**	7,212
Non-controlling interests	24	**449**	545
		12,153	7,757
Earnings per share	11(a)		
Basic		**$2.61**	$1.61
Diluted		**$2.61**	$1.61

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

in HK$ Million	Note	2014	2013
Profit for the year		**12,153**	7,757
Other comprehensive income	8(d)		
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of overseas subsidiaries		**(794)**	2,676
Total comprehensive income for the year		**11,359**	10,433
Total comprehensive income attributable to:			
Shareholders		**10,929**	9,712
Non-controlling interests		**430**	721
		11,359	10,433

The accompanying notes form part of these financial statements.

Statements of Financial Position

At December 31, 2014

in HK$ Million	Note	Group 2014	Group 2013	Company 2014	Company 2013
Non-current assets					
Fixed assets					
Investment properties		**120,137**	107,587	**–**	–
Investment properties under development		**25,611**	30,478	**–**	–
Other fixed assets		**300**	289	**–**	–
	12	**146,048**	138,354	**–**	–
Interest in subsidiaries	13	**–**	–	**68,411**	64,356
Interest in joint ventures	14	**1,205**	1,030	**–**	–
Other assets	15	**6**	8	**–**	–
Deferred tax assets	21(b)	**12**	7	**–**	–
		147,271	139,399	**68,411**	64,356
Current assets					
Cash and deposits with banks	16	**39,946**	34,321	**3**	1
Trade and other receivables	17	**1,916**	2,865	**4**	3
Properties for sale	18	**4,046**	5,695	**–**	–
		45,908	42,881	**7**	4
Current liabilities					
Bank loans and other borrowings	19	**5,657**	1,657	**–**	–
Trade and other payables	20	**7,906**	5,977	**17**	22
Taxation payable	21(a)	**1,581**	633	**–**	–
		15,144	8,267	**17**	22
Net current assets/(liabilities)		**30,764**	34,614	**(10)**	(18)
Total assets less current liabilities		**178,035**	174,013	**68,401**	64,338
Non-current liabilities					
Bank loans and other borrowings	19	**29,441**	33,322	**–**	–
Amounts due to subsidiaries	13(c)	**–**	–	**20,861**	20,869
Deferred tax liabilities	21(b)	**9,591**	9,524	**–**	–
		39,032	42,846	**20,861**	20,869
NET ASSETS		**139,003**	131,167	**47,540**	43,469
Capital and reserves					
Share capital	22	**39,663**	4,479	**39,663**	4,479
Share premium and capital redemption reserve	23	**–**	35,097	**–**	35,097
Reserves	23	**92,664**	84,958	**7,877**	3,893
Shareholders' equity		**132,327**	124,534	**47,540**	43,469
Non-controlling interests	24	**6,676**	6,633	**–**	–
TOTAL EQUITY		**139,003**	131,167	**47,540**	43,469

Philip N.L. Chen
Managing Director

H.C. Ho
Executive Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

in HK$ Million	Shareholders' equity Share capital (Note 22)	Other reserves (Note 23)	Retained profits (Note 23)	Total	Non-controlling interests (Note 24)	Total equity
At January 1, 2013	4,477	41,281	72,170	117,928	6,050	123,978
Profit for the year	–	–	7,212	7,212	545	7,757
Exchange difference arising from translation of overseas subsidiaries	–	2,500	–	2,500	176	2,676
Total comprehensive income for the year	–	2,500	7,212	9,712	721	10,433
Final dividends in respect of previous financial year	–	–	(2,553)	(2,553)	–	(2,553)
Interim dividends in respect of current financial year	–	–	(761)	(761)	–	(761)
Issue of shares	2	42	–	44	–	44
Employee share-based payments	–	121	43	164	–	164
Dividends paid to non-controlling interests	–	–	–	–	(122)	(122)
Repayment to non-controlling interests	–	–	–	–	(16)	(16)
At December 31, 2013 and January 1, 2014	**4,479**	**43,944**	**76,111**	**124,534**	**6,633**	**131,167**
Transition to no-par value regime on March 3, 2014	**35,100**	**(35,100)**	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**11,704**	**11,704**	**449**	**12,153**
Exchange difference arising from translation of overseas subsidiaries	**–**	**(775)**	**–**	**(775)**	**(19)**	**(794)**
Total comprehensive income for the year	**–**	**(775)**	**11,704**	**10,929**	**430**	**11,359**
Final dividends in respect of previous financial year	**–**	**–**	**(2,601)**	**(2,601)**	**–**	**(2,601)**
Interim dividends in respect of current financial year	**–**	**–**	**(763)**	**(763)**	**–**	**(763)**
Issue of shares	**84**	**(13)**	**–**	**71**	**–**	**71**
Employee share-based payments	**–**	**95**	**62**	**157**	**–**	**157**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(387)**	**(387)**
At December 31, 2014	**39,663**	**8,151**	**84,513**	**132,327**	**6,676**	**139,003**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2014

in HK$ Million	Note	2014		2013	
Operating activities					
Cash generated from operations	25	**16,559**		6,053	
Tax paid					
Hong Kong Profits Tax paid		**(684)**		(385)	
China Income Tax paid		**(513)**		(512)	
Net cash generated from operating activities			**15,362**		5,156
Investing activities					
Payment for fixed assets		**(5,301)**		(9,886)	
Net sale proceeds from disposal of fixed assets		**5**		34	
Receipt of matured held-to-maturity investments		**–**		452	
Interest received		**908**		801	
Dividends received from joint ventures		**30**		18	
(Decrease)/Increase in amount due to a joint venture		**(88)**		89	
Repayment of advances to unlisted investments		**2**		2	
Decrease in bank deposits with maturity greater than three months		**498**		7,594	
Net cash used in investing activities			**(3,946)**		(896)
Financing activities					
Proceeds from new bank loans and other borrowings		**9,988**		5,535	
Repayment of bank loans		**(9,872)**		(475)	
Proceeds from exercise of share options		**71**		44	
Interest and other borrowing costs paid		**(1,138)**		(1,093)	
Dividends paid		**(3,364)**		(3,314)	
Dividends paid to non-controlling interests		**(387)**		(122)	
Repayment to non-controlling interests		**–**		(16)	
Net cash (used in)/generated from financing activities			**(4,702)**		559
Increase in cash and cash equivalents			**6,714**		4,819
Effect of foreign exchange rate changes			**(588)**		953
Cash and cash equivalents at January 1			**33,761**		27,989
Cash and cash equivalents at December 31	16		**39,887**		33,761

The accompanying notes form part of these financial statements.

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

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

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (note 33).

(b) Basis of preparation of the financial statements

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

(c) Subsidiaries and non-controlling interests

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

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

(d) Joint ventures

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Joint ventures (Continued)

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

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

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

(e) Goodwill

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Properties

1. Investment properties and investment properties under development

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

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

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

2. Properties under development for sale

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

3. Completed properties for sale

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Other fixed assets

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

2. Leased assets

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Other fixed assets (Continued)

2. Leased assets (Continued)

(iii) Operating leases charges

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

(h) Depreciation

1. Investment properties

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

2. Other fixed assets

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

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

(i) Held-to-maturity investments

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

An assessment is carried out at the end of each reporting period to determine whether there is objective evidence that a current or non-current asset, other than properties carried at revalued amounts, is impaired.

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

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

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

– For other non-current assets, the recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized as an expense in profit or loss whenever the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.

(k) Trade and other receivables

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

(o) Borrowing costs

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities

1. Financial guarantees issued

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

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

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

2. Other provisions and contingent liabilities

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

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

1. Sale of properties

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

2. Rental income

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

3. Interest income

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

4. Dividends

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

(r) Taxation

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Taxation (Continued)

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

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

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

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

(s) Translation of foreign currencies

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies (Continued)

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

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

(t) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

2. An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in note 1(t)(1).

   (vii) A person identified in note 1(t)(1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Segment reporting

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

(v) Employee benefits

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

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

2. Share-based payments

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

– Amendments to HKAS 36, Recoverable amounts disclosure for non-financial assets

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

The amendments to HKAS 32 clarified some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not have a significant impact on the Group's financial statements.

(b) Amendments to HKAS 36, Recoverable amounts disclosure for non-financial assets

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

3 TURNOVER AND SEGMENT INFORMATION

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

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

Management evaluates performance primarily based on profit before taxation.

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

3 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Turnover and results by segments

	Turnover		Profit before taxation	
in HK$ Million	**2014**	2013	**2014**	2013
Segment				
Property leasing				
– Mainland China	**3,916**	3,526	**2,800**	2,683
– Hong Kong	**3,300**	3,112	**2,789**	2,643
	7,216	6,638	**5,589**	5,326
Property sales				
– Hong Kong	**9,814**	2,500	**7,419**	1,511
Segment total	**17,030**	9,138	**13,008**	6,837
Other net (loss)/income			**(2)**	36
Administrative expenses (Note)			**(644)**	(642)
Operating profit before change in fair value of investment properties			**12,362**	6,231
Increase in fair value of investment properties			**1,705**	2,482
– property leasing in Hong Kong			**1,595**	1,607
– property leasing in mainland China			**110**	875
Interest income			**924**	793
Finance costs			**(671)**	(398)
Net interest income			**253**	395
Share of profits of joint ventures			**75**	96
Profit before taxation			**14,395**	9,204

Note:

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

3 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Total assets by segments

in HK$ Million	Total assets 2014	2013
Segment		
Property leasing		
– Mainland China	**90,161**	84,417
– Hong Kong	**56,818**	55,009
	146,979	139,426
Property sales		
– Hong Kong	**5,031**	7,488
Segment total	**152,010**	146,914
Interest in joint ventures	**1,205**	1,030
Other assets	**6**	8
Deferred tax assets	**12**	7
Cash and deposits with banks	**39,946**	34,321
Total assets	**193,179**	182,280

4 OTHER NET (LOSS)/INCOME

in HK$ Million	2014	2013
Gain on disposal of investment properties	**3**	8
Dividend income from unlisted investments	**–**	10
Net exchange (loss)/gain	**(5)**	18
	(2)	36

5 NET INTEREST INCOME

in HK$ Million	2014	2013
Interest income on		
Bank deposits	924	782
Unlisted held-to-maturity investments	–	11
	924	793
Interest expenses on		
Bank loans and other borrowings repayable within 5 years	685	626
Bank loans and other borrowings repayable over 5 years	652	430
	1,337	1,056
Other borrowing costs	100	58
Total borrowing costs	1,437	1,114
Less: Borrowing costs capitalized (Note)	(766)	(716)
Finance costs	671	398
Net interest income	253	395

Note:

The borrowing costs have been capitalized at an average rate of 3.8% (2013: 3.3%) per annum for properties under development.

6 PROFIT BEFORE TAXATION

in HK$ Million	2014	2013
Profit before taxation is arrived at after charging:		
Cost of properties sold	1,802	786
Staff costs, including employee share-based payments of $157 million (2013: $164 million)	1,158	959
Depreciation	49	37
Auditors' remuneration		
– audit services	8	7
– tax and other services	5	5
and after crediting:		
Gross rental income from investment properties less direct outgoings of $1,627 million (2013: $1,312 million), including contingent rentals of $291 million (2013: $301 million)	5,589	5,326

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

in HK$ Million Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Group's contributions to retirement scheme	**2014**	2013
Executive Directors						
Ronnie C. Chan	0.9	24.2	10.0	2.4	**37.5**	34.8
Philip N.L. Chen	0.7	22.7	10.0	1.1	**34.5**	31.9
H.C. Ho	0.7	4.6	4.5	0.3	**10.1**	9.2
Non-Executive Director						
Andrew K.C. Chan (Appointed on October 20, 2014)	0.1	–	–	–	**0.1**	–
Independent Non-Executive Directors						
S.S. Yin	0.7	–	–	–	**0.7**	0.7
Ronald J. Arculli	0.7	–	–	–	**0.7**	0.7
H.K. Cheng	0.9	–	–	–	**0.9**	0.9
Laura L.Y. Chen	0.9	–	–	–	**0.9**	0.9
P.W. Liu	0.9	–	–	–	**0.9**	0.9
Dominic C.F. Ho	0.9	–	–	–	**0.9**	0.9
Nelson W.L. Yuen (Note (c))	0.7	–	–	–	**0.7**	0.7
2014	**8.1**	**51.5**	**24.5**	**3.8**	**87.9**	81.6
2013	8.0	50.1	19.7	3.8	81.6	

7 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(b) Individuals with highest emoluments

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

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

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

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

(c) Mr. Nelson W.L. Yuen was re-designated from Non-Executive Director to Independent Non-Executive Director on November 10, 2014.

(d) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company and its ultimate holding company, Hang Lung Group Limited. Details of which are disclosed in note 28(b).

(e) During the years ended December 31, 2014 and 2013, there were no amounts paid to directors and senior executives above for compensation of loss of office and inducement for joining the Group.

8 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

in HK$ Million	2014	2013
Current tax		
Hong Kong Profits Tax	1,498	576
Over-provision in prior years	(31)	(3)
	1,467	573
China Income Tax	679	559
	2,146	1,132
Deferred tax		
Change in fair value of investment properties	28	219
Other origination and reversal of temporary differences	68	96
Total (Note 21(b))	96	315
Total income tax expense	2,242	1,447

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

(b) Share of joint ventures' taxation for the year ended December 31, 2014 of $10 million (2013: $9 million) is included in the share of profits of joint ventures.

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

in HK$ Million	2014	2013
Profit before taxation	14,395	9,204
Tax on profit before taxation at applicable rates	2,596	1,831
Tax effect of non-taxable income	(346)	(376)
Tax effect of non-deductible expenses	54	35
Tax effect of tax losses utilized and other deductible temporary differences	(150)	(111)
Tax effect of unrecognized tax losses	119	71
Over-provision in prior years	(31)	(3)
Actual tax expense	2,242	1,447

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

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net profit attributable to shareholders includes a profit of $7,207 million (2013: $3,380 million) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

(a) Dividends attributable to the year

in HK$ Million	2014	2013
Interim dividend declared and paid of 17 cents (2013: 17 cents) per share	763	761
Final dividend of 59 cents (2013: 58 cents) per share proposed after the end of the reporting period	2,646	2,598
	3,409	3,359

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

(b) The final dividend of $2,601 million (calculated based on 58 cents per share and the total number of issued shares as at dividend pay-out date) for the year ended December 31, 2013 was approved and paid in the year ended December 31, 2014 (2013: $2,553 million).

11 EARNINGS PER SHARE

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

in HK$ Million	2014	2013
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	**11,704**	7,212

	Number of shares	
in Million	2014	2013
Weighted average number of shares used in calculating basic earnings per share	**4,483**	4,478
Effect of dilutive potential shares – share options	**3**	10
Weighted average number of shares used in calculating diluted earnings per share	**4,486**	4,488

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

in HK$ Million	2014	2013
Net profit attributable to shareholders	**11,704**	7,212
Effect of changes in fair value of investment properties	**(1,705)**	(2,482)
Effect of corresponding deferred tax	**28**	219
Effect of change in fair value of investment properties of joint ventures	**(25)**	(43)
	(1,702)	(2,306)
Non-controlling interests	**20**	144
	(1,682)	(2,162)
Underlying net profit attributable to shareholders	**10,022**	5,050

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

	2014	2013
Basic	**$2.24**	$1.13
Diluted	**$2.23**	$1.13

12 FIXED ASSETS – GROUP

in HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2013	98,223	24,482	365	123,070
Exchange adjustment	1,420	767	5	2,192
Additions	745	9,951	75	10,771
Disposals	(5)	–	(4)	(9)
Increase in fair value	2,482	–	–	2,482
Transfer	4,722	(4,722)	–	–
At December 31, 2013 and January 1, 2014	107,587	30,478	441	138,506
Exchange adjustment	(178)	(102)	(1)	(281)
Additions	394	5,866	62	6,322
Disposals	(2)	–	(4)	(6)
Increase in fair value	1,705	–	–	1,705
Transfer	10,631	(10,631)	–	–
At December 31, 2014	**120,137**	**25,611**	**498**	**146,246**
Accumulated depreciation:				
At January 1, 2013	–	–	115	115
Exchange adjustment	–	–	2	2
Charge for the year	–	–	37	37
Written back on disposals	–	–	(2)	(2)
At December 31, 2013 and January 1, 2014	–	–	152	152
Charge for the year	–	–	49	49
Written back on disposals	–	–	(3)	(3)
At December 31, 2014	**–**	**–**	**198**	**198**
Net book value:				
At December 31, 2014	**120,137**	**25,611**	**300**	**146,048**
At December 31, 2013	107,587	30,478	289	138,354
Cost or valuation of the fixed assets is made up as follows:				
December 31, 2014				
Valuation	**120,137**	**25,611**	**–**	**145,748**
Cost	**–**	**–**	**498**	**498**
	120,137	**25,611**	**498**	**146,246**
December 31, 2013				
Valuation	107,587	30,478	–	138,065
Cost	–	–	441	441
	107,587	30,478	441	138,506

12 FIXED ASSETS – GROUP (Continued)

(a) Fair value measurement of properties

(i) Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurement at December 31, 2014		
in HK$ Million	Level 1	Level 2	Level 3
Investment properties	**–**	**120,137**	**–**
Investment properties under development	**–**	**–**	**25,611**

	Fair value measurement at December 31, 2013		
in HK$ Million	Level 1	Level 2	Level 3
Investment properties	–	107,587	–
Investment properties under development	–	–	30,478

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

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

12 FIXED ASSETS – GROUP (Continued)

(a) Fair value measurement of properties (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

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

(iii) Information about Level 3 fair value measurements

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

– Estimated development cost to be expended to complete the properties that would be incurred by a market participant; and

– Estimated profit margin that a market participant would require to hold and develop the property to completion.

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

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

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

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

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

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

12 FIXED ASSETS – GROUP (Continued)

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

in HK$ Million	Investment properties 2014	Investment properties 2013	Investment properties under development 2014	Investment properties under development 2013
Long term leases in Hong Kong	**37,033**	35,618	**–**	–
Long term leases outside Hong Kong	**–**	–	**849**	835
Medium term leases in Hong Kong	**19,376**	19,005	**–**	–
Medium term leases outside Hong Kong	**63,728**	52,964	**24,762**	29,643
	120,137	107,587	**25,611**	30,478

(c) The net book value of other fixed assets of the Group included long term leases of $14 million (2013: $14 million) in respect of land and building held in Hong Kong, medium term leases of $7 million (2013: $8 million) and long term leases of $46 million (2013: $48 million) in respect of land and buildings held outside Hong Kong respectively.

Property leasing revenue includes gross rental income from investment properties of $7,216 million (2013: $6,638 million).

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

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

in HK$ Million	2014	2013
Within 1 year	**6,078**	5,598
After 1 year but within 5 years	**8,756**	7,825
After 5 years	**1,811**	1,991
	16,645	15,414

13 INTEREST IN SUBSIDIARIES

in HK$ Million	Company 2014	Company 2013
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries	**68,403**	64,348
	68,411	64,356

(a) Details of principal subsidiaries are set out in note 35.

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

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

14 INTEREST IN JOINT VENTURES

in HK$ Million	Group 2014	Group 2013
Share of net assets – unlisted shares	**1,205**	1,160
Amount due to a joint venture	**–**	(130)
	1,205	1,030

At December 31, 2013, amount due to a joint venture was unsecured and interest-bearing at market rate with no fixed terms of repayment.

Details of joint ventures are set out in note 36. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

in HK$ Million	2014	2013
Non-current assets	**1,215**	1,189
Current assets	**22**	76
Non-current liabilities	**(7)**	(86)
Current liabilities	**(25)**	(19)
Net assets	**1,205**	1,160

in HK$ Million	2014	2013
Turnover	**76**	71
Profit and total comprehensive income for the year	**75**	96

15 OTHER ASSETS

	Group	
in HK$ Million	**2014**	2013
Advances to unlisted investee companies	**6**	8

16 CASH AND DEPOSITS WITH BANKS

	Group	
in HK$ Million	**2014**	2013
Time deposits	**37,380**	31,622
Cash at banks	**2,566**	2,699
Cash and deposits with banks in the consolidated statement of financial position	**39,946**	34,321
Less: Bank deposits with maturity greater than three months	**(59)**	(560)
Cash and cash equivalents in the consolidated cash flow statement	**39,887**	33,761

At the end of the reporting period, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.4% (2013: 2.3%) per annum with currencies denominated in:

	Group	
in HK$ Million	**2014**	2013
Hong Kong Dollars equivalent of:		
Renminbi	**35,515**	31,815
Hong Kong Dollars	**4,425**	2,193
United States Dollars	**6**	313
	39,946	34,321

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

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

	Group	
in HK$ Million	**2014**	2013
Cash and deposits	**39,946**	34,321
Less: Bank loans and other borrowings (Note 19)	**(35,098)**	(34,979)
Net Cash/(Net Debt)	**4,848**	(658)

17 TRADE AND OTHER RECEIVABLES

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

in HK$ Million	Group 2014	2013
Current and within 1 month	**1,007**	1,830
1 – 3 months	**7**	12
Over 3 months	**8**	9
	1,022	1,851

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

(b) Included in other receivables of the Group are deposit of land acquisition in mainland China of $317 million (2013: $318 million) and amount due from a joint venture of $Nil (2013: $212 million) which is unsecured, interest-free and has no fixed terms of repayment.

18 PROPERTIES FOR SALE

in HK$ Million	Group 2014	2013
Properties under development for sale located in Hong Kong – long term leases	**–**	1,662
Completed properties for sale located in Hong Kong – long term leases	**1,810**	–
Completed properties for sale located in Hong Kong – medium term leases	**2,236**	4,033
	4,046	5,695

19 BANK LOANS AND OTHER BORROWINGS

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

	Group	
in HK$ Million	**2014**	2013
Bank loans (Note (a))		
Within 1 year or on demand	**5,657**	1,657
After 1 year but within 2 years	**4,249**	10,983
After 2 years but within 5 years	**8,449**	10,786
Over 5 years	**4,296**	4,519
	22,651	27,945
Other borrowings (Note (b))		
After 2 years but within 5 years	**375**	375
Over 5 years	**12,368**	6,915
	12,743	7,290
	35,394	35,235
Less: unamortized front end fees	**(296)**	(256)
Total bank loans and other borrowings	**35,098**	34,979
Amount due within 1 year included under current liabilities	**(5,657)**	(1,657)
	29,441	33,322

Notes:

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

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

At December 31, 2014, the Group had $18,139 million (2013: $7,981 million) committed undrawn banking facilities.

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

20 TRADE AND OTHER PAYABLES

in HK$ Million	Group 2014	2013
Creditors and accrued expenses (Note (a))	**6,002**	4,219
Deposits received (Note (b))	**1,904**	1,758
	7,906	5,977

Notes:

(a) Creditors and accrued expenses include retention money payable of $545 million (2013: $508 million) which is not expected to be settled within one year.

(b) Deposits received of $1,103 million (2013: $1,087 million) are not expected to be settled within one year.

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

in HK$ Million	Group 2014	2013
Due within 1 month	**4,297**	2,633
Due after 3 months	**565**	548
	4,862	3,181

21 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation

in HK$ Million	Group 2014	2013
Provision for Hong Kong Profits Tax	**1,145**	365
Provision for China Income Tax	**403**	239
Hong Kong Profits Tax payable relating to prior years	**33**	29
	1,581	633

(b) Deferred taxation

in HK$ Million	Group 2014	2013
Deferred tax liabilities	**9,591**	9,524
Deferred tax assets	**(12)**	(7)
Net deferred tax liabilities	**9,579**	9,517

21 TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred taxation (Continued)

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

in HK$ Million Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2013	1,147	7,664	(2)	126	8,935
Charged to exchange reserve	27	240	–	–	267
Charged to profit or loss (Note 8(a))	71	219	2	23	315
At December 31, 2013 and January 1, 2014	1,245	8,123	–	149	9,517
Credited to exchange reserve	(7)	(27)	–	–	(34)
Charged/(Credited) to profit or loss (Note 8(a))	89	28	(2)	(19)	96
At December 31, 2014	**1,327**	**8,124**	**(2)**	**130**	**9,579**

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

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of $2,191 million (2013: $1,801 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2014. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

22 SHARE CAPITAL

As at December 31, 2013, 6,000 million ordinary shares, with par value of $1 each, were authorized for issue. Under the new Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "New Companies Ordinance"), which commenced operation on March 3, 2014, the concepts of "authorized share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on March 3, 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the New Companies Ordinance. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

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

	2014		2013	
	Number of shares (million)	**Amount of share capital ($million)**	Number of shares (million)	Amount of share capital ($million)
Ordinary shares, issued and fully paid:				
At January 1	**4,479**	**4,479**	4,477	4,477
Shares issued under share option scheme	**6**	**84**	2	2
Transition to no-par value regime on March 3, 2014	**–**	**35,100**	–	–
At December 31	**4,485**	**39,663**	4,479	4,479

23 RESERVES

(a) The Group

in HK$ Million	Other reserves: Share premium	Capital redemption reserve	Exchange reserve	Employee share-based compensation reserve	Total	Retained profits	Total reserves
At January 1, 2013	32,979	2,066	5,765	471	41,281	72,170	113,451
Profit for the year	–	–	–	–	–	7,212	7,212
Exchange difference arising from translation of overseas subsidiaries	–	–	2,500	–	2,500	–	2,500
Total comprehensive income for the year	–	–	2,500	–	2,500	7,212	9,712
Final dividends in respect of previous financial year	–	–	–	–	–	(2,553)	(2,553)
Interim dividends in respect of current financial year	–	–	–	–	–	(761)	(761)
Issue of shares	42	–	–	–	42	–	42
Employee share-based payments	10	–	–	111	121	43	164
At December 31, 2013 and January 1, 2014	33,031	2,066	8,265	582	43,944	76,111	120,055
Transition to no-par value regime on March 3, 2014	(33,034)	(2,066)	–	–	(35,100)	–	(35,100)
Profit for the year	–	–	–	–	–	11,704	11,704
Exchange difference arising from translation of overseas subsidiaries	–	–	(775)	–	(775)	–	(775)
Total comprehensive income for the year	–	–	(775)	–	(775)	11,704	10,929
Final dividends in respect of previous financial year	–	–	–	–	–	(2,601)	(2,601)
Interim dividends in respect of current financial year	–	–	–	–	–	(763)	(763)
Issue of shares	3	–	–	(16)	(13)	–	(13)
Employee share-based payments	–	–	–	95	95	62	157
At December 31, 2014	**–**	**–**	**7,490**	**661**	**8,151**	**84,513**	**92,664**

23 RESERVES (Continued)

(b) The Company

in HK$ Million	Other reserves: Share premium	Other reserves: Capital redemption reserve	Other reserves: Employee share-based compensation reserve	Other reserves: Total	Retained profits	Total reserves
At January 1, 2013	32,979	2,066	471	35,516	3,202	38,718
Profit and total comprehensive income for the year	–	–	–	–	3,380	3,380
Final dividends in respect of previous financial year	–	–	–	–	(2,553)	(2,553)
Interim dividends in respect of current financial year	–	–	–	–	(761)	(761)
Issue of shares	42	–	–	42	–	42
Employee share-based payments	10	–	111	121	43	164
At December 31, 2013 and January 1, 2014	33,031	2,066	582	35,679	3,311	38,990
Transition to no-par value regime on March 3, 2014	(33,034)	(2,066)	–	(35,100)	–	(35,100)
Profit and total comprehensive income for the year	–	–	–	–	7,207	7,207
Final dividends in respect of previous financial year	–	–	–	–	(2,601)	(2,601)
Interim dividends in respect of current financial year	–	–	–	–	(763)	(763)
Issue of shares	3	–	(16)	(13)	–	(13)
Employee share-based payments	–	–	95	95	62	157
At December 31, 2014	**–**	**–**	**661**	**661**	**7,216**	**7,877**

The retained profits for the Group at December 31, 2014 included $519 million (2013: $402 million) in respect of statutory reserves of the subsidiaries in mainland China.

23 RESERVES (Continued)

(b) The Company (Continued)

Prior to March 3, 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the New Companies Ordinance, on March 3, 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from March 3, 2014 is governed by the New Companies Ordinance. The exchange reserve comprises the exchange differences arising from the translation of the financial statements of overseas subsidiaries. The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as explained in note 1(v).

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2014 was $7,216 million (2013: $3,311 million).

Capital management

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

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

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

The Group has a net cash position as at December 31, 2014 (Note 16). Net debt to equity ratio and debt to equity ratio as at December 31, 2014 were 0% (2013: 0.5%) and 25.2% (2013: 26.7%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 NON-CONTROLLING INTERESTS

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

25 CASH GENERATED FROM OPERATIONS

in HK$ Million	2014	2013
Profit before taxation	14,395	9,204
Adjustments for:		
Gain on disposal of investment properties	(3)	(8)
Bank interest income	(924)	(782)
Interest income from unlisted held-to-maturity investments	–	(11)
Dividend income from unlisted investments	–	(10)
Finance costs	671	398
Depreciation	49	37
Loss on disposal of other fixed assets	1	2
Increase in fair value of investment properties	(1,705)	(2,482)
Share of profits of joint ventures	(75)	(96)
Employee share-based payments	157	164
Decrease in properties for sale	1,689	400
Decrease/(Increase) in trade and other receivables	963	(1,608)
Increase in creditors and accrued expenses	1,192	683
Increase in deposits received	149	176
Decrease in amounts due to fellow subsidiaries	–	(14)
Cash generated from operations	16,559	6,053

26 CONTINGENT LIABILITIES

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

	Company	
in HK$ Million	2014	2013
Guarantees given to banks to secure credit facilities drawn by subsidiaries	35,418	35,257

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

27 COMMITMENTS

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

	Group	
in HK$ Million	**2014**	2013
Contracted for	**3,445**	5,250
Authorized but not contracted for	**43,132**	44,021
	46,577	49,271

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

28 EMPLOYEE BENEFITS

(a) Retirement benefits

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

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

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

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

28 EMPLOYEE BENEFITS (Continued)

(a) Retirement benefits (Continued)

Staff in the Company's subsidiaries operating in mainland China are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to $40 million (2013: $30 million).

(b) Equity compensation benefits

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

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

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

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

28 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

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

(i) 2002 Share Option Scheme

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

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

28 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

(i) 2002 Share Option Scheme (Continued)

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

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

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

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

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

28 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

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

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

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

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

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

28 EMPLOYEE BENEFITS (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme (Continued)

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

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

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

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

(1) Mr. Ronnie C. Chan, $21.1 million (2013: $25.1 million);

(2) Mr. Philip N.L. Chen, $28.9 million (2013: $34.5 million);

(3) Mr. H.C. Ho, $14.3 million (2013: $15.1 million); and

(4) Mr. Nelson W.L. Yuen, $4.3 million (2013: $9.8 million).

29 RELATED PARTY TRANSACTIONS

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

(a) Emoluments to directors and key management has been disclosed in notes 7 and 28(b).

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Interest rate risk

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

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

Based on the simulations performed at year end in relation to the Group's bank deposits and borrowings, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's profit after taxation and total equity by approximately $182 million (2013: $89 million).

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

– changes in market interest rates affect the interest income and interest expenses of floating rate financial instruments and bank borrowings; and

– all other financial assets and liabilities are held constant.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

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

	Group					
		Contractual undiscounted cash flow				
in HK$ Million	Carrying amount	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans and other borrowings	35,098	42,772	6,942	5,428	12,012	18,390
Trade and other payables	7,906	7,906	6,258	973	516	159
At December 31, 2014	**43,004**	**50,678**	**13,200**	**6,401**	**12,528**	**18,549**

		Contractual undiscounted cash flow				
in HK$ Million	Carrying amount	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans and other borrowings	34,979	40,854	2,752	11,907	13,313	12,882
Trade and other payables	5,977	5,977	4,382	993	533	69
At December 31, 2013	40,956	46,831	7,134	12,900	13,846	12,951

(c) Credit risk

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

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

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

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

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

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

(d) Currency risk

Currency risk arises when recognized assets and liabilities are denominated in a currency other than the functional currency of the Group's entities to which they related. The Group maintains certain bank deposits denominated in United States dollars amounting to US$1 million (2013: US$40 million) and bonds amounting to US$1,000 million (2013: US$500 million). Given that Hong Kong dollar is pegged to United States dollar, the resulting currency risk on such deposits and bonds is considered insignificant.

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

Management estimated that a 1% appreciation/depreciation of Renminbi against Hong Kong dollar would not have a material effect on the Group's profit after taxation and the Group's equity attributable to shareholders would be increased/decreased by $891 million (2013: $777 million).

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

(e) Fair value

The fair values of unlisted investments, trade and other receivables, trade and other payables, cash and deposits with banks, bank loans and other borrowings are considered approximate to their carrying amounts at the end of the reporting period.

31 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 12(a) and 28(b) contain information about the assumptions and their risk relating to valuation of investment properties and investment properties under development, and fair value of share options granted. Other key sources of estimation uncertainty are as follows:

(a) Properties held for sale

The Group determines the net realizable value of unsold properties based on estimation of future selling price less costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

(b) Impairment of assets

The Group tests regularly whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate. These calculations require the use of estimates.

(c) Income taxes

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) Recognition of deferred tax assets

The amount of the deferred tax assets included in the consolidated statement of financial position of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgments based on the assessment of future financial performance, the amount of future taxable profits and the timing of when these will be realized.

32 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hang Lung Group Limited, a company incorporated in Hong Kong.

33 FUTURE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following amendments and new standards which have been issued by the HKICPA but are not yet effective for the year ended December 31, 2014. The adoption of the following amendments or standards will not result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
HKFRS 15	Revenue from contracts with customers	January 1, 2017
HKFRS 9	Financial Instruments	January 1, 2018

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

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on January 26, 2015.

35 PRINCIPAL SUBSIDIARIES

At December 31, 2014

Company	Issued Share Capital (HK$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	100	100	Property leasing	Hong Kong
AP City Limited	2	100	–	Property leasing	Hong Kong
AP Joy Limited	2	100	–	Property development & leasing	Hong Kong
AP Properties Limited				Property development & leasing	Hong Kong
‘A’ shares	34	100	–		
‘B’ shares	6	100	–		
AP Star Limited*	2	100	–	Investment holding	Hong Kong
AP Success Limited	2	100	–	Property leasing	Hong Kong
AP Universal Limited*	2	100	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	100	–	Property leasing	Hong Kong
AP World Limited	2	100	100	Property development	Hong Kong
Bonna Estates Company Limited	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	100	–	Property leasing	Hong Kong
Cititop Limited	2	100	–	Property development & leasing	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
‘A’ shares	990	79.8	–		
‘B’ share	1	100	–		
Dokay Limited*	2	100	–	Property leasing	Hong Kong
Easegood Enterprises Limited	2	100	–	Investment holding	Hong Kong
Fu Yik Company Limited*	3	100	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	100	100	Investment holding	Hong Kong
Gowily Limited	2	100	–	Property leasing	Hong Kong
Grand Centre Limited	4	100	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	100	–	Apartment operating & management	Hong Kong

35 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Company	Issued Share Capital (HK$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	62,163,123	100	–		
'B' shares	6,000,000	100	–		
Hang Chui Company Limited	2	100	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	100	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	100	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	100	100	Management services	Hong Kong
Hang Lung (Dalian) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung Park-In Limited	2	100	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	100	100	Project management	Hong Kong
Hang Lung Property Management Limited*	100,000	100	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	100	100	Property agencies	Hong Kong
HLP (China) Limited	2	100	100	Investment holding	Hong Kong
HLP Finance Limited^	US$1	100	100	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	100	–	Financial services	Hong Kong

35 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Company	Issued Share Capital (HK$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
HLP Fortune Limited	1	100	100	Property development	Hong Kong
HLP Treasury Limited	2	100	100	Financial services	Hong Kong
HLP Treasury Services Limited*	2	100	–	Investment holding	Hong Kong
Hoi Sang Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	100	–	Property development	Hong Kong
Magic Modern International Limited*	1	100	100	Advertising	Hong Kong
Mansita Limited*	2	100	–	Property leasing	Hong Kong
Modalton Limited	2	100	–	Property leasing	Hong Kong
Monafat Limited*	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	100	–	Property leasing	Hong Kong
Pocaliton Limited	2	100	–	Property leasing	Hong Kong
Rago Star Limited	2	100	–	Property leasing	Hong Kong
Stooket Limited	2	100	100	Property leasing	Hong Kong
Tegraton Limited	2	100	–	Property leasing	Hong Kong
Wai Luen Investment Company, Limited*	100,000	100	–	Property leasing	Hong Kong
Yangli Limited*	2	100	–	Property leasing	Hong Kong

35 PRINCIPAL SUBSIDIARIES (Continued)

At December 31, 2014

Wholly Foreign Owned Enterprises in mainland China	Registered Capital	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB3,556,877,355	100	–	Property development	Mainland China
Kunming Hang Ying Properties Ltd.	RMB4,787,321,800	100	–	Property development	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB5,382,096,324	100	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	100	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	100	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$4,229,600,000	100	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB3,837,746,261	100	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	HK$509,000,000	100	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB3,930,000,000	100	–	Property development	Mainland China

Equity Joint Venture in mainland China	Registered Capital (US$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	82	–	Property development & leasing	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	69.3#	–	Property development & leasing	Mainland China

^ Operated in Hong Kong

* Not audited by KPMG

Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the subsidiary

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

36 JOINT VENTURES

At December 31, 2014

Company	Issued Share Capital (HK$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited	5,000,000	36.8	–	Investment holding	Hong Kong
Ease Smart Development Limited				Investment holding	Hong Kong
‘A’ share	1	–	–		
‘B’ share	1	100	–		
Star Play Development Limited*	3	33.3	–	Property leasing	Hong Kong

* Not audited by KPMG

Ten-Year Financial Summary

in HK$ Million (unless otherwise stated)	Jan – Dec 2014	Jan – Dec 2013	Jan – Dec 2012	Jul – Dec 2011 (Note 1)	For the year ended June 30 2011	2010	2009	2008	2007	2006
Total assets	**193,179**	182,280	167,864	150,663	144,682	116,300	88,614	84,341	69,244	60,366
Investment properties	**120,137**	107,587	98,223	93,610	85,918	80,965	62,766	59,085	47,153	39,590
Properties for sale										
– Completed	**4,046**	4,033	4,813	5,127	5,058	5,055	6,923	6,774	9,501	10,159
– Under development	**–**	1,622	1,296	987	905	800	760	43	41	–
Cash and deposits with banks	**39,946**	34,321	36,025	23,732	27,202	11,535	8,931	10,578	6,994	5,984
Total liabilities	**54,176**	51,113	43,886	33,645	29,758	18,513	13,428	15,691	13,407	16,077
Bank loans and other borrowings	**35,098**	34,979	29,736	20,734	16,736	6,458	4,661	4,419	4,782	8,454
Floating rate notes	**–**	–	–	–	–	–	1,500	1,500	1,500	1,500
Shareholders' equity	**132,327**	124,534	117,928	111,462	109,719	93,105	71,894	66,377	54,277	43,246
Net assets (including non-controlling interests)	**139,003**	131,167	123,978	117,018	114,924	97,787	75,186	68,650	55,837	44,289
Turnover	**17,030**	9,138	7,372	3,069	5,164	12,057	4,173	10,080	4,389	3,657
Net profit attributable to shareholders	**11,704**	7,212	8,395	2,516	5,792	23,561	3,985	13,159	6,371	4,403
Underlying net profit (Note 2)	**10,022**	5,050	6,178	1,650	2,741	6,674	2,388	5,123	2,048	1,627
Dividends	**3,409**	3,359	3,313	1,610	3,175	2,951	2,736	2,736	2,320	1,900
Per share data										
Earnings										
– Basic	**$2.61**	$1.61	$1.88	$0.56	$1.33	$5.68	$0.96	$3.18	$1.60	$1.19
– Diluted	**$2.61**	$1.61	$1.87	$0.56	$1.31	$5.61	$0.96	$3.15	$1.58	$1.18
Underlying earnings (Note 2)										
– Basic	**$2.24**	$1.13	$1.38	$0.37	$0.63	$1.61	$0.58	$1.24	$0.51	$0.44
– Diluted	**$2.23**	$1.13	$1.37	$0.37	$0.62	$1.59	$0.57	$1.23	$0.51	$0.44
Dividends										
– Interim	**17¢**	17¢	17¢	–	17¢	17¢	15¢	15¢	13¢	13¢
– Final	**59¢**	58¢	57¢	36¢	54¢	54¢	51¢	51¢	43¢	38¢
– Total for the year/period	**76¢**	75¢	74¢	36¢	71¢	71¢	66¢	66¢	56¢	51¢
Shareholders' equity (Note 3)	**$29.5**	$27.8	$26.3	$24.9	$24.5	$22.4	$17.3	$16.0	$13.1	$11.6
Net assets (including non-controlling interests) (Note 3)	**$31.0**	$29.3	$27.7	$26.2	$25.7	$23.5	$18.1	$16.6	$13.5	$11.9
Net debt to equity ratio (Note 4)	**0%**	0.5%	0%	0%	0%	0%	0%	0%	0%	10.4%
Pay-out ratio	**29%**	47%	39%	64%	53%	13%	69%	21%	35%	43%
Underlying pay-out ratio (Note 2)	**34%**	66%	54%	97%	113%	44%	114%	53%	109%	116%
Number of shares issued (in Million)	**4,485**	4,479	4,477	4,473	4,472	4,159	4,146	4,145	4,143	3,732

Notes:

1. In November 2011, the Board of Directors approved the change of the Group's financial year end date from June 30 to December 31. Thus, the Group had a six-month financial period from July 1 to December 31, 2011.
2. To facilitate a better understanding of the Group's operational results, underlying net profit, earnings per share and pay-out ratio are presented by excluding the effect of changes in fair value of investment properties and investment properties under development and their related deferred tax and non-controlling interests.
3. Based on year end balance divided by number of shares issued at the end of the reporting period.
4. Net debt represents bank loans and other borrowings, floating rate notes and finance lease obligations, less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

Corporate Information

DIRECTORS

Ronnie C. Chan *(Chairman)*
S.S. Yin *(Vice Chairman)**
Philip N.L. Chen *(Managing Director)*
Andrew K.C. Chan *BBS, JP*#
Ronald J. Arculli *GBM, CVO, GBS, OBE, JP**
H.K. Cheng *GBS, OBE, JP**
Laura L.Y. Chen*
P.W. Liu *SBS, JP**
Dominic C.F. Ho*
Nelson W.L. Yuen*
H.K. Chang *GBS, JP** (appointment effective April 17, 2015)
H.C. Ho

Non-Executive Director
* *Independent Non-Executive Director*

AUDIT COMMITTEE

H.K. Cheng *GBS, OBE, JP (Chairman)*
Laura L.Y. Chen
P.W. Liu *SBS, JP*
Dominic C.F. Ho
Andrew K.C. Chan *BBS, JP*

NOMINATION AND REMUNERATION COMMITTEE

P.W. Liu *SBS, JP (Chairman)*
Ronald J. Arculli *GBM, CVO, GBS, OBE, JP*
H.K. Cheng *GBS, OBE, JP*
Laura L.Y. Chen
Dominic C.F. Ho

AUTHORIZED REPRESENTATIVES

Philip N.L. Chen
Bella P.L. Chhoa

COMPANY SECRETARY

Bella P.L. Chhoa

REGISTERED OFFICE

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel : 2879 0111
Fax : 2868 6086

INTERNET ADDRESS

Website: http://www.hanglung.com
Email address: HLProperties@hanglung.com

AUDITOR

KPMG
Certified Public Accountants

Listing Information

At December 31, 2014

4,485,309,670 shares listed on The Stock Exchange of Hong Kong Limited

STOCK CODE

Hong Kong Stock Exchange: 00101
Reuters: 0101.HK
Bloomberg: 101HK

BOARD LOT SIZE (SHARE)

1,000

AMERICAN DEPOSITARY RECEIPT (ADR)

Sponsored Level-1 (Over the Counter)
CUSIP Number/Ticker Symbol: 41043M104/HLPPY
ADR to Underlying Share Ratio: 1:5
Depositary Bank: The Bank of New York Mellon
Website: http://www.adrbnymellon.com

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

INVESTOR RELATIONS CONTACT

C.F. Kwan
Email address: ir@hanglung.com

Share Information

	Share Price High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2014			
First quarter	24.80	19.80	313,025
Second quarter	24.90	21.95	296,516
Third quarter	26.45	22.05	261,584
Fourth quarter	24.50	20.90	232,945
Share Price as at December 31, 2014:			**HK$21.75**
Market Capitalization as at December 31, 2014:			**HK$97.56 billion**

	Share Price High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2013			
First quarter	31.65	28.15	407,183
Second quarter	31.00	24.00	457,945
Third quarter	28.35	23.90	359,458
Fourth quarter	27.00	23.70	247,180
Share Price as at December 31, 2013:			**HK$24.50**
Market Capitalization as at December 31, 2013:			**HK$109.73 billion**

DESIGN: FORMAT LIMITED www.format.com.hk

STOCK CODE

00101

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