恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00101)

2014 Annual Results

FINANCIAL HIGHLIGHTS
in HK$ Million (unless otherwise stated)

RESULTS

	Note	2014	2013	Change
Turnover		**17,030**	9,138	+86%
Property Leasing		**7,216**	6,638	+9%
Property Sales		**9,814**	2,500	+293%
Operating Profit		**13,008**	6,837	+90%
Property Leasing		**5,589**	5,326	+5%
Property Sales		**7,419**	1,511	+391%
Net Profit Attributable to Shareholders		**11,704**	7,212	+62%
Earnings Per Share (HK$)		**$2.61**	$1.61	+62%
Dividends Per Share (HK$)		**$0.76**	$0.75	+1%
Interim (Paid)		**$0.17**	$0.17	-
Final (Proposed)		**$0.59**	$0.58	+2%

UNDERLYING RESULTS

	Note	2014	2013	Change
Underlying Net Profit Attributable to Shareholders	1	**10,022**	5,050	+98%
Underlying Earnings Per Share (HK$)	2	**$2.24**	$1.13	+98%

FINANCIAL POSITION

	Note	At December 31		
		2014	2013	Change
Shareholders' Equity		**132,327**	124,534	+6%
Net Assets		**139,003**	131,167	+6%
Net Cash / (Net Debt)	3	**4,848**	(658)	N/A
Financial Ratio				
Net Debt to Equity Ratio	3	**N/A**	0.5%	N/A
Debt to Equity Ratio	3	**25.2%**	26.7%	-1.5% pts
Shareholders' Equity Per Share (HK$)		**$29.5**	$27.8	+6%
Net Assets Per Share (HK$)		**$31.0**	$29.3	+6%

Notes:

1. 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.

2. The relevant calculations are based on underlying net profit attributable to shareholders.

3. Net cash / (Net debt) represents cash and deposits with banks net off with bank loans and other borrowings. Equity comprises shareholders' equity and non-controlling interests.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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%

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

DIVIDEND

The Board of Directors has declared a final dividend of HK59 cents per share for 2014 (2013: HK58 cents) to be paid by cash on May 19, 2015, to shareholders. Details of the payment of the final dividend are set out under the paragraph headed "Book Close Dates" of this announcement.

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, 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%.

With the additions of Tianjin Riverside 66 shopping mall and Wuxi Center 66 office tower to the property leasing portfolio, 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 and 248,000 square meters of office spaces. Total retail sales of our shopping malls on the Mainland exceeded RMB 10 billion in 2014.

Shanghai Portfolio (Plaza 66 and Grand Gateway 66)

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 theme, 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.

Non-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 office tower at 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.

- ***Shenyang (Palace 66 and Forum 66)***

The whole Shenyang market remained challenging. Against the backdrop of increasing competition in Shenyang, Palace 66, our first mall outside Shanghai and opened in June 2010, recorded a rental growth of 4% as tenant remixing began to bear fruit. Benefiting from an improved tenant profile and more effective marketing activities, retail sales of the mall climbed 12% despite a lower occupancy rate of 85% against the previous year.

The prestigious Forum 66 mall, which commenced operation in September 2012, delivered a stable rental turnover during 2014. However, occupancy rate fell six points to 93% while a change of tenant mix and the government's anti-opulence campaign were continuing. But retail sales of the mall recorded a 2% growth as a result of more effective promotional activities.

- ***Parc 66, Jinan***

After operating for three years, many tenancies at Parc 66 came to the end of the first lease cycle. This presented the Group with an opportunity to modify the tenancy profile and product offering of this mall. As part of the change process, new elements of non-conventional shopping, entertainment and lifestyle luxury will be introduced to replace the more traditional luxury spending. The Trick Eye Museum, a Korean brand famous for delivering fascinating 3D experiences, successfully opened its first operation in 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 books-and-café tenant.

In 2014, this mall recorded an 8% decrease in rental turnover and a lower occupancy rate by six points to 82% during the process of change. Retail sales fell 2% while footfall remained stable and attached to the core offering in this reporting period.

- ***Center 66, Wuxi***

Since its grand opening in September 2013, occupancy rate of Center 66 mall has increased to 91%. With the opening of the first Ferrari & Maserati car showroom and Apple Store, the tenancy and product variety of this mall have continued to be enriched. The pedestrian tunnel linking basement of the mall to the metro station opened last October, further strengthening the accessibility and popularity of the mall. Retail sales of the mall in the last quarter of 2014 jumped 48% against the same corresponding period in 2013.

Center 66 office tower, our first office tower outside Shanghai, commenced operation on October 16, 2014. With the excellent location and superior quality of the building, we were able to command a premium rent rate in the market.

- ***Riverside 66, Tianjin***

Our youngest mall, Riverside 66 in Tianjin was unveiled on September 26, 2014. Occupancy rate was 85% at year-end date, or 91% when including the committed tenancies. Out of the 297 tenants operating at Riverside 66, a total of 60 new brands were being 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.

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 Apartments	**295**	285	+3%	**73%**	-1% pt
Car Park	**125**	118	+6%		
Total	**3,300**	3,112	+6%		

- ***Hong Kong - 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.

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, and 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.

In the fourth quarter of 2014, some area of 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.

The iconic mall on the Peak, The Peak Galleria, collected 6% more rents in 2014. The tenant profile was upgraded with several new brands. The first Trick Eye Museum in Hong Kong was opened at The Peak Galleria in December 2014, offering an extraordinary fun experience and attracting younger visitors.

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 around mid-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 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 regional malls continued to deliver solid rental growth as a result of positive rental reversions, including Amoy Plaza in Kowloon East and Kornhill Plaza in Hong Kong East which generated 10% and 5% more rents, respectively.

- ***Hong Kong - 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, comprising The Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House, 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%.

- ***Hong Kong - 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 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 residential units will be ready for release in 2015 if market conditions are favourable.

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.

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.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014 (AUDITED)
(Expressed in Hong Kong dollars)

	Note	**2014** **$ Million**	2013 $ Million
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		**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		**75**	96
Profit before taxation	*3(a) & 6*	**14,395**	9,204
Taxation	*7(a)*	**(2,242)**	(1,447)
Profit for the year		**12,153**	7,757
Attributable to:			
Shareholders		**11,704**	7,212
Non-controlling interests		**449**	545
		12,153	7,757
Earnings per share	*9(a)*		
Basic		**$2.61**	$1.61
Diluted		**$2.61**	$1.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014 (AUDITED)

(Expressed in Hong Kong dollars)

	Note	**2014** **$ Million**	2013 $ Million
Profit for the year		**12,153**	7,757
Other comprehensive income	*7(b)*		
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2014 (AUDITED)

(Expressed in Hong Kong dollars)

	Note	**2014 $ Million**	2013 $ Million
Non-current assets			
Fixed assets			
Investment properties	*10*	**120,137**	107,587
Investment properties under development	*10*	**25,611**	30,478
Other fixed assets		**300**	289
		146,048	138,354
Interest in joint ventures		**1,205**	1,030
Other assets		**6**	8
Deferred tax assets		**12**	7
		147,271	139,399
Current assets			
Cash and deposits with banks		**39,946**	34,321
Trade and other receivables	*11*	**1,916**	2,865
Properties for sale		**4,046**	5,695
		45,908	42,881
Current liabilities			
Bank loans and other borrowings		**5,657**	1,657
Trade and other payables	*12*	**7,906**	5,977
Taxation payable		**1,581**	633
		15,144	8,267
Net current assets		**30,764**	34,614
Total assets less current liabilities		**178,035**	174,013
Non-current liabilities			
Bank loans and other borrowings		**29,441**	33,322
Deferred tax liabilities		**9,591**	9,524
		39,032	42,846
NET ASSETS		**139,003**	131,167
Capital and reserves			
Share capital		**39,663**	4,479
Share premium and capital redemption reserve		**-**	35,097
Reserves		**92,664**	84,958
Shareholders' equity		**132,327**	124,534
Non-controlling interests		**6,676**	6,633
TOTAL EQUITY		**139,003**	131,167

Notes:

1. The financial statements have been reviewed by the Audit Committee.

2. Basis of preparation

   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.

   The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013 except for the changes stated as below.

   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

   The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

   (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.

Notes:

3. Turnover and segment information (Continued)

(a) Turnover and results by segments

	Turnover		Profit before taxation	
	2014	2013	**2014**	2013
	$ Million	$ Million	**$ Million**	$ Million
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.

(b) Total assets by segments

	Total assets	
	2014	2013
	$ Million	$ Million
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

Notes:

4. Other net (loss)/income

	2014	2013
	$ Million	$ Million
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

	2014	2013
	$ Million	$ Million
Interest income on		
Bank deposits	**924**	782
Unlisted held-to-maturity investments	**-**	11
	924	793
Interest expenses on borrowings	**1,337**	1,056
Other borrowing costs	**100**	58
Total borrowing costs	**1,437**	1,114
Less: Borrowing costs capitalized	**(766)**	(716)
Finance costs	**671**	398
Net interest income	**253**	395

6. Profit before taxation

	2014	2013
	$ Million	$ Million
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

Notes:

7. Taxation

(a) 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.

	2014 **$ Million**	2013 $ Million
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
	96	315
Total income tax expense	**2,242**	1,447

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

8. Dividends

(a) Dividends attributable to the year

	2014 **$ Million**	2013 $ Million
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).

Notes:

9. Earnings per share

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

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

	Number of shares	
	2014	2013
	Million	Million
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:

	2014	2013
	$ Million	$ Million
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

Notes:

10. Investment properties and investment properties under development

(a) Additions

During the year, additions to investment properties and investment properties under development amounted to $6,260 million (2013: $10,696 million).

(b) Valuation

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.

11. Trade and other receivables

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

	2014	2013
	$ Million	$ Million
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 Group 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.

(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.

12. Trade and other payables

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

	2014	2013
	$ Million	$ Million
Due within 1 month	**4,297**	2,633
Due after 3 months	**565**	548
	4,862	3,181

Purchase, Sale or Redemption of Listed Securities

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

Compliance with Corporate Governance Code

During the year, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Book Close Dates

<u>For ascertaining shareholders' right to attend and vote at Annual General Meeting ("AGM"):</u>

Book close dates (both days inclusive)	April 28 to 29, 2015
Latest time to lodge transfers	4:30 pm on April 27, 2015
Record date	April 29, 2015
AGM	April 29, 2015

<u>For ascertaining shareholders' entitlement to the proposed final dividend:</u>

Book close date	May 6, 2015
Latest time to lodge transfers	4:30 pm on May 5, 2015
Record date	May 6, 2015
Final dividend payment date	May 19, 2015

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, January 26, 2015

As at the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN and Mr. H.C. HO
Non-Executive Director: Dr. Andrew K.C. CHAN
Independent Non-Executive Directors: Mr. S.S. YIN, Mr. Ronald J. ARCULLI, Dr. H.K. CHENG, Ms. Laura L.Y. CHEN, Prof. P.W. LIU, Mr. Dominic C.F. HO and Mr. Nelson W.L. YUEN