

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

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

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

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

FINANCIAL RESULTS

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

TEN-YEAR FINANCIAL SUMMARY

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

DIVIDENDS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

RESERVES

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

DONATIONS

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

FIXED ASSETS

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

BANK LOANS AND OTHER BORROWINGS

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

BORROWING COSTS CAPITALIZATION

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

MAJOR GROUP PROPERTIES

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

SHARE CAPITAL

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

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

SHARE CAPITAL OF THE COMPANY'S LISTED SUBSIDIARY

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

DIRECTORS

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

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

Notes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes

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

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

RELATED PARTY TRANSACTIONS

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

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

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

AUDITOR

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

By Order of the Board

Bella Peck Lim Chhoa

Company Secretary

Hong Kong, January 26, 2015