

# 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:

Name of Directors	Capacity	The Company (Long Position)			Hang Lung Group 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	0.11	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			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 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			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 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			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

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:

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	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