Hysan Development Company Limited
希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 622, with limited liability)
(Stock Code：00014)

PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

- **Solid occupancy across our portfolios (Retail: fully-let; Office: 98%; Residential: 97%)**
- **Turnover up 5.3% year-on-year (up 9.2%, excluding properties under redevelopment)**
- **Recurring Underlying Profit up 5.9%**
- **Steady performance expected in our portfolio in 2015**
- **Continue strong focus in Causeway Bay and concurrently seek opportunities beyond our core portfolio**

RESULTS

		Year ended 31 December		
		2014	2013	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**3,224**	3,063	+5.3%
Recurring Underlying Profit	*2*	**2,163**	2,043	+5.9%
Underlying Profit	*3*	**2,163**	2,043	+5.9%
Reported Profit	*4*	**4,902**	6,158	-20.4%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**203.34**	192.10	+5.9%
Underlying Profit	*3*	**203.34**	192.10	+5.9%
Reported Profit	*4*	**460.82**	579.04	-20.4%
Full-year dividends per share		**123.00**	117.00	+5.1%

		At 31 December		
		2014	2013	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**67,040**	63,326	+5.9%
		HK$	HK$	
Net Asset Value per Share	*6*	**63.02**	59.54	+5.8%

Notes:

1. ***Turnover*** *comprises rental income and management fee income derived from the Group's investment property portfolio in Hong Kong.*
2. ***Recurring Underlying Profit*** *is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets).*
3. ***Underlying Profit*** *is arrived at by excluding from Reported Profit unrealised fair value changes on investment properties. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value changes on investment properties in the consolidated income statement causes an increase in fluctuation in earnings and poses limitations on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Accordingly, unrealised fair value changes on investment properties are excluded in arriving at the Underlying Profit.*
4. ***Reported Profit*** *is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.*
5. ***Shareholders' Funds*** *is the equity attributable to owners of the Company.*
6. ***Net Asset Value per Share*** *represents Shareholders' Funds divided by the number of issued shares at year-end.*

CHAIRMAN'S STATEMENT

Overview

Hong Kong's economy continued its moderate growth of 2.3% in 2014. Mild improvements in exports were recorded, supported by stronger U.S. GDP growth. The private consumption expenditure growth slowed to 2.7% year-on-year.

Softer spending by locals and tourists was reflected in the 0.2% decline in 2014 retail sales, the first such contraction since 2003. However, with tight labour market conditions, low unemployment and a buoyant property market, Hong Kong's consumer spending on items related more to local consumption remained resilient. Limited supply gave support both to retail leasing of prime mall spaces in core areas, as well as to the office leasing market.

A number of structural changes which have been evolving over the past few years will present challenges going forward.

- Despite a year-on-year increase of 16% in Mainland visitors for 2014, spending patterns have been changing to mid-priced items and goods which are novel and trendy, yet affordable, due to the official drive to curb luxury gifts giving, compounded by the slowdown in China's economic growth

- Current political and social sentiment may diminish Mainlanders' enthusiasm to visit and shop in Hong Kong

- "Occupy Movement" had a short-term impact on some retailers. In the long run, concerns about polarisation of political views and potential future large-scale protests cannot be ignored

- Comparatively high cost of doing business in terms of resources and manpower will erode Hong Kong's competitiveness

- Even though e-commerce's effect on Hong Kong's brick and mortar retail experience has been limited, shopping patterns may change when online shopping becomes easier and more user-friendly

- Intense competition among retail landlords, who are increasing spending on crowd drawing events, loyalty programmes and upgrading shopping malls.

Hysan has been responsive to these developments to Hong Kong's business environment, including changes in shopping trends. We have refined and re-positioned our portfolio in recent years, starting with strengthening the LEE GARDENS brand identity. The already familiar LEE GARDENS brand represents quality and our commitment for the long term. We continue to actively curate our retail and office portfolios' tenant mix. We are committed to establishing strong partnerships with our tenants, shoppers and visitors by understanding their needs and working closely with them. In all, Hysan is dedicated to providing them with a unique and satisfying experience, which can only be made possible with our commitment to first class service and continuous asset enhancement, all within an environment which seamlessly integrates lifestyle, work, play and shopping.

Under the LEE GARDENS brand, the retail portfolio has been grouped into three hubs, each with individual characteristics and price points to attract different clientele. From premium brands to urban lifestyle offerings and trend-setting must-haves, our diverse yet balanced hubs cater to the needs of all for every occasion. With Hong Kong people's growing appreciation of healthier lifestyles, our portfolio has become home to a number of sports and leisure names, most prominently in Hysan Place and Leighton Centre. We augmented our Lee Gardens Two renowned kids' floor with toys and widened our children's product offerings. We launched a user-friendly state of the art app for our Club Avenue V.I.P. clients to enter reward points, check on their spending rewards, and showcase Lee Gardens offers through a few easy swipes on their mobile devices. Apart from the shops, our food and beverage offerings were refined and significantly strengthened with some new to Hong Kong eateries. These include our very own Seasons, where we partnered celebrity chef Olivier Elzer to showcase French fare with a difference.

All these were complemented by placemaking activities hosted by Hysan or in partnership with other stakeholders. Many eye-catching displays, from Marvel's Captain America to our Make a Wish Christmas baubles, dominated the Causeway Bay landscape and delighted shoppers and visitors. Our "Leeisure" campaign highlighted our beautiful tree-lined surroundings where modern high-rises meet historic old Hong Kong, inspiring phrases like "Pace of Life" and "Business of Life".

The Lee Theatre hub and Hysan Place have been well-placed to capture shoppers' gravitation towards mid-price spending. This is evidenced by the daily shopper traffic figures that registered amongst the highest levels ever in the last quarter of the year, despite the "Occupy Movement".

In all, estimated retail sales within Hysan's portfolio increased by 22% when compared to the year before, a pleasing contrast to a 0.2% decline for Hong Kong's overall retail sales during the same period.

For our office portfolio, we saw strong demand from a diverse group of international and local firms, from insurance, banking and professional services, to high-end retailers and technology companies, as evidenced by a 98% occupancy rate. In 2014, around 35% of our office portfolio's newly-let office space was taken up by tenants relocating from Central and Admiralty. Lee Gardens, with its value proposition and its attractive work life integration, has established itself as a strong credible alternative to Central. In this regard, we have begun receiving a significant number of enquiries about our combined Sunning site redevelopment project. The mixed-use building's construction work is progressing smoothly and is on schedule for an early 2018 completion.

To further highlight Lee Garden's heritage and distinct character, Hysan will bring all the buildings in the eastern part of Hysan's portfolio under the LEE GARDENS brand name. We are proud of our long history and we will strive to develop Lee Gardens as a sustainable community in the years to come.

Up on Hong Kong Island's coveted residential neighbourhood of Mid-Levels, our residential Bamboo Grove complex remains a favourite home, or home away from home, for its predominantly international community. We will continue to refine our renowned five-star service for Bamboo Grove, which is set in its open, tranquil and evergreen setting, minutes away from what Hong Kong can best offer in terms of transport, workplace, shops and schools.

Hysan Place was again recognized for its efforts in sustainability with the coveted International Council of Shopping Center's VIVA Best of the Best Sustainable Development Award in 2014, one of only five VIVA winners worldwide. Hysan Place has become a regular stop on all Hong Kong sustainable building visit agenda.

Business Performance
The Group's 2014 turnover was HK$3,224 million, up 5.3% from HK$3,063 million in 2013. Excluding the revenue attributable to Sunning Plaza and Sunning Court (under redevelopment) in both years, the turnover would have increased by 9.2% (2013: HK$2,952 million). At year-end 2014, our retail portfolio was fully-let. Occupancy of our office and residential portfolios stood at 98% and 97% respectively.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was up 5.9% to HK$2,163 million (2013: HK$2,043 million). This reflected the increase in revenue generated from our retail and office leasing activities. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$2,163 million (2013: HK$2,043 million). Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK203.34 cents (2013: HK192.10 cents), up 5.9%.

Our Reported Profit for 2014 was HK$4,902 million (2013: HK$6,158 million), reflecting a smaller fair value gain on the Group's investment properties valuation recorded this year. At year-end 2014, the external valuation of the Group's investment property portfolio increased by 5.2% to HK$68,735 million (2013: HK$65,322 million), reflecting improved rentals for our portfolio. Shareholders' Fund increased by 5.9% to HK$67,040 million (2013: HK$63,326 million).

Our financial position remains strong, with net interest coverage of 17.1 times (2013: 15.4 times) and net debt to equity ratio of 4.2% (2013: 5.3%).

Dividends
The Board of Directors (the "Board") is pleased to declare a second interim dividend of HK100 cents per share (2013: HK95 cents). Together with the first interim dividend of HK23 cents per share (2013: HK22 cents), there is an aggregate distribution of HK123 cents per share (2013: HK117 cents), representing a year-on-year increase of 5.1%. The dividend will be payable in cash.

Outlook
We expect the Hong Kong economy will continue to achieve modest growth which is affected by global headwind and normalised consumption growth locally. Hysan expects steady performance from our portfolio. We will continue to create value through a strategy of differentiation to provide a unique and satisfying experience for our visitors, shoppers and tenants.

With a strong balance sheet, proven financial discipline and a record for value creation, Hysan is now well-positioned to seek opportunities beyond our core portfolio in Causeway Bay.

Appreciation
On behalf of the Board, I would like to thank our management team and colleagues for their diligent work during the year. I would also like to thank my fellow directors for their guidance and commitment throughout 2014. As part of our efforts to refresh and further strengthen our Board, we welcome Professor Lawrence Juen-Yee Lau as our new Independent non-executive Director. Professor Lau is best known as the former Chinese University Vice-Chancellor (President), but is also a renowned expert on economic development and growth in East Asia, including China. Professor Lau should be able to further enrich our Board with his wealth of expertise.

Irene Yun Lien LEE
Chairman

Hong Kong, 11 March 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The aggregate gross floor area attributable to the Group was approximately 4.1 million square feet of high-quality retail, office and residential investment properties in Hong Kong, excluding Sunning Plaza and Sunning Court, which are currently under redevelopment.

Strategy

The Group has always strived to bring steady and risk-adjusted return to its shareholders. Without increasing the total gross floor area of its overall investment portfolio in the last few years, the Group worked to increase the yield of its existing space through the re-positioning of its office, retail and residential portfolio, and complemented by corresponding redevelopment and asset enhancement projects.

The Group believes that its core Causeway Bay portfolio continues to provide great opportunities for value creation and will ensure we focus our main efforts there to bring about further changes.

Review of Results

The Group's turnover was HK$3,224 million in 2014, representing an increase of 5.3% from HK$3,063 million in 2013. Excluding Sunning Plaza and Sunning Court (currently under redevelopment) in both years, the like-for-like turnover would have increased by 9.2% (2013: HK$2,952 million). The rise principally reflected the further improvement in occupancy and positive rental reversion. The turnover of each sector is shown as below:

	2014 **HK$ million**	2013 HK$ million	Change %
Retail sector	**1,801**	1,678	+7.3
Office sector	**1,136**	1,085	+4.7
Residential sector	**287**	300	-4.3
	3,224	3,063	+5.3

Recurring Underlying Profit, arrived at by excluding the fair value change of investment properties and items that are non-recurring in nature (such as gains or losses on disposal of long-term assets) was HK$2,163 million, up 5.9% from HK$2,043 million in 2013. Our Underlying Profit, arrived at by excluding the fair value change of investment properties, was also HK$2,163 million (2013: HK$2,043 million). The performance of these two profit indicators primarily reflected the continued improvement in gross profit generated from our core leasing activities. Basic earnings per share based on Recurring Underlying Profit was HK203.34 cents (2013: HK192.10 cents), up 5.9%.

Our Reported Profit for 2014 was HK$4,902 million (2013: HK$6,158 million) down by 20.4% and reflecting a smaller fair value gain on the Group's investment properties valuation recorded this year.

	2014 **HK$ million**	2013 HK$ million	Change %
Recurring Underlying Profit	**2,163**	2,043	+5.9
Underlying Profit	**2,163**	2,043	+5.9
Fair value change on investment properties located in			
- Hong Kong	**2,732**	4,043	-32.4
- Shanghai*	**7**	72	-90.3
Reported Profit	**4,902**	6,158	-20.4

** The investment properties are held by an associate of the Group.*

Review of Operations

As at 31 December 2014, about 83% of the Group's investment properties by gross floor area were retail and office properties in Causeway Bay, and the remaining 17% was residential. In terms of turnover contribution by the different portfolios, about 56% was attributable to the retail portfolio, while 35% and 9% derived from the office and the residential portfolios respectively.

Turnover: both the retail and office portfolios saw healthy turnover growth in 2014 of 7.3% and 4.7% respectively. These successfully offset the loss of turnover attributable to properties under redevelopment.

Occupancy: retail was fully-let (2013: 96%), and office occupancy remained strong at 98% (2013: 98%) while housing a well-balanced group of international and local blue chip tenants. Residential occupancy improved to 97% (2013: 92%), amidst a generally weak market environment, with turnover dropping 4.3% in 2014.

Property expenses ratio (as a percentage of turnover): improved to 12.5% in 2014 (2013: 13.2%) as a result of the healthy organic growth of turnover.

Retail Portfolio

Hysan's retail portfolio turnover grew 7.3% to HK$1,801 million (2013: HK$1,678 million), including turnover rent of HK$93 million (2013: HK$106 million). Lower turnover rent reflects the Group's strategy of increasing the base rent over the last two years, as a response to its anticipation of the normalisation of retail sales growth. On a like-for-like basis excluding Sunning Plaza in both years, the turnover would have increased by 8.5% (2013: HK$1,660 million), reflecting healthy organic growth.

There were positive rental reversions in rental renewals, reviews and new lettings with an average increase of around 50%, driven by our asset enhancement at Lee Gardens Two, and further refinement of tenant mix. However, a relatively small portion (18%) of leases was due for renewal and rent review in 2014.

Excluding Sunning Plaza, the portfolio was fully-let as at 31 December 2014 (31 December 2013: 96%, with Sunning Plaza already vacated). The improvement was due to the completion of Lee Gardens Two's enhancement programme.

Visitors' traffic to our buildings saw healthy growth, about 10% over last year. For the festive period of December 2014, footfall numbered around 170,000 per day. The growth can be attributed to footfall increases in Lee Theatre hub and Hysan Place, while Lee Gardens hub was steady. The newly renovated and repositioned Lee Theatre Plaza has been drawing bigger crowds, as expected, with its lower price points and offerings, at a time when the market has begun to see shifts in consumer spending patterns. Footfall there increased by around 40% as compared to 2013. Hysan Place, with its cool architecture, iconic retailers like Apple Store and eslite, as well as stand-out features like the Urban Farm, continued to attract a faithful group of followers who appreciate something different to the ordinary shopping mall.

Our strategy of creating a diversified and distinct retail portfolio, with shops and restaurants of different price points and style, catering for shoppers from different segments of the community, as well as overseas visitors, paid off. This success was further complemented by our LEE GARDENS area branding, which includes hosting a range of popular and well-received events.

As a result, the estimated overall tenant sales within the retail portfolio improved by around 22% as compared to 2013, substantially outperforming Hong Kong's overall retail sales which showed a 0.2% decline.

Among our three retail hubs, Hysan Place showed double-digit percentage growth in tenant sales, and is now a renowned gathering place for the younger crowd. It was the main site for our 2014 placemaking events like Captain America, Captain Tsubasa x Adidas, Line and Smiley World, all of which helped to enhance the shopping destination's hip and trendy image.

Lee Gardens hub experienced positive rental reversions, but its estimated tenant sales were slightly lower than last year, which was principally attributable to the life cycles and distribution strategies of a few brands. Lee Gardens Two saw the completion of an asset enhancement project and the addition of Ralph Lauren's store for men's and women's fashion. The building is now also home to an additional half floor of children's stores, complementing the existing floor of successful shops for youngsters. Furthermore, Seasons by Olivier E., where Hysan partnered top chef Olivier Elzer to present classical French cuisine with a modern Asian twist, received a Michelin star within six months of its opening.

Lee Theatre hub's flagship stores were the driving force behind the double-digit percentage increase in estimated tenant sales growth in 2014. Lee Theatre Plaza's lower zone stores were particularly popular, complemented by a number of well-received new restaurants, like Putien and Paradise Dynasty.

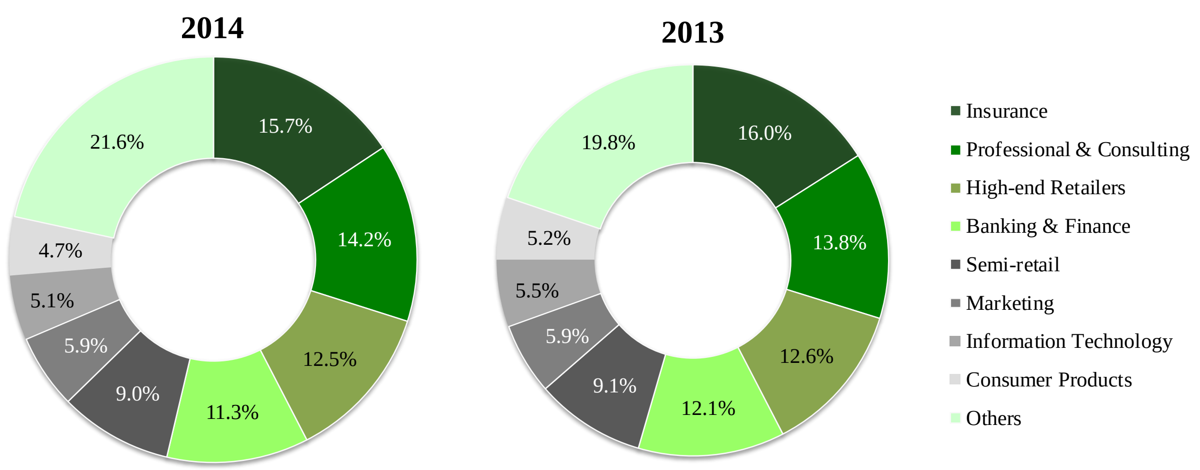
Office Portfolio

Hysan's office portfolio turnover grew by 4.7% in 2014 to HK$1,136 million (2013: HK$1,085 million). On a like-for-like basis excluding Sunning Plaza in both years, the turnover would have been a healthy organic increase of 12.5% (2013: HK$1,010 million). This reflected Hysan Place's full occupancy effect, as well as positive rental reversions on renewals, reviews and new lettings in other buildings, with an average rental increase of around 17%. These offset the redevelopment impact of Sunning Plaza, which was completely vacated by the end of 2013.

Excluding Sunning Plaza, the office portfolio's occupancy was 98% as at 31 December 2014 (31 December 2013: 98%, with Sunning Plaza vacated since year-end).

The portfolio is home to a well-balanced group of international and local blue chip tenants, with the top four industries being insurance, professional and consulting, high-end retailers and banking and finance. They represented 53.7% of our office lettable floor area, but no category took up more than 20% of the total lettable area. The chart below illustrates the office portfolio tenant profile as analysed by area occupied:

Office Tenant Profile by Area Occupied as at Year-end



Among the well-known tenants from these industries are AIA, Gucci, KPMG, Manulife, National Australia Bank and Sun Hung Kai Financial. Through our active marketing, the portfolio continues to be seen as a credible alternative to Central and Admiralty offices. Commerzbank, Germany's second largest bank, will move its Hong Kong headquarters into Hysan's office portfolio in the first half of 2015. Moreover, with excellent amenities in the neighbourhood which provide quality service throughout the day, our offices are also popular with renowned technology companies, with Apple, LinkedIn, Oracle and Yahoo among those setting up offices in Lee Gardens.

Residential Portfolio

Our residential portfolio's revenue declined slightly by 4.3% to HK$287 million (2013: HK$300 million). On a like-for-like basis excluding Sunning Court in both years, the turnover would have seen an increase of 1.8% (2013: HK$282 million). The performance reflected the success of our occupancy optimizing strategy, against a generally weak market environment.

Excluding Sunning Court, the residential occupancy was 97% as at 31 December 2014 (31 December 2013: 92%, with Sunning Court being substantially vacated).

The tenant base for Bamboo Grove has now been broadened beyond the traditional financial fields in light of weakened demand in recent years. Hysan is continuing to strengthen its marketing efforts, as well as enhancing its tenant relationships and services provided.

Sunning Redevelopment

After the successful completion of the demolition work for Sunning Plaza and Sunning Court, piling, excavation and other foundation works commenced in the third quarter of 2014, and will be completed by early 2016. The project is on schedule for its anticipated completion around 2018.

Asset Enhancement Project

The Lee Gardens One ground floor lobby and higher floors retail space enhancement project began on schedule in the fourth quarter of 2014. The project will improve the accessibility and circulation of the office and retail areas, and create new shop space and retail offerings. A new space of 6,500 sq. ft. has been preleased to Valentino for a flagship store to be open in 3Q 2016. The first phase construction work, revamping the office lobby and adding elevators, is on schedule for its target completion in the third quarter of 2015. The entire project is scheduled to be completed in the second half of 2016.

Financial Review

A review of the Group's results and operations is featured in the preceding sections. This section deals with other significant financial matters.

Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs largely representing payroll related costs of management and head office staff).

Property expenses were broadly the same, at HK$404 million (2013: HK$405 million). Improved occupancy led to reduced agency fees and government rates payable by the landlord, setting off increased repairs and maintenance costs and revenue-generating promotion expenses. Coupled with an increase in rental income, the property expenses to turnover ratio decreased from 13.2% to 12.5% as compared to 2013.

Administrative expenses rose by 2.9% to HK$214 million (2013: HK$208 million). This reflected our increased investment in human capital and technology applications.

Finance Costs
Finance costs reduced by 5.8% to HK$228 million (2013: HK$242 million) in 2014. The decrease was attributable to the lower average debt level in 2014 as compared to 2013 after repayment of around HK$900 million bank loans and HK$200 million floating rate notes during the year. As these floating rate debts generally carried lower finance costs compared with fixed rate debts, the Group's average finance costs in 2014 were 3.1%, slightly higher than 2.9% reported for 2013.

Further discussion of the Group's treasury policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

Revaluation of Investment Properties
The Group's investment property portfolio was valued at 31 December 2014 by Knight Frank Petty Limited, an independent professional valuer, on the basis of open market value. The amount of this valuation was HK$68,735 million, an increase of 5.2% from HK$65,322 million at 31 December 2013. The valuation at year-end 2014 principally reflected improved rental rates for the Group's investment property portfolio. The following shows the property valuation of each portfolio at year-end.

	2014 **HK$ million**	2013 HK$ million	Change %
Retail	**34,313**	32,234	+6.4
Office	**22,684**	21,949	+3.3
Residential	**7,718**	7,716	n/m
Sunning Plaza and Sunning Court[1]	-	3,423	n/m
Property under redevelopment[2]	**4,020**	-	n/m
	68,735	65,322	+5.2

** n/m – not meaningful*

Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$2,940 million (2013: HK$4,575 million) was recognised in the Group's consolidated income statement for the year.

Investments in Associates
The Group's share of results of associates decreased by 18.4% to HK$252 million (2013: HK$309 million), principally due to a smaller revaluation gain of the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to last year. At 31 December 2014, properties at Shanghai Grand Gateway had been revalued at fair value by an independent professional valuer. The Group's share of the revaluation gain, net of the corresponding deferred tax thereon, of the associate amounted to HK$7 million (2013: HK$72 million).

The Shanghai Grand Gateway project continued to deliver a good performance in 2014. The Group's share of results, excluding revaluation gain on investment properties held by the associate, recorded a 3.4% increase year-on-year. As at the end of 2014, the retail units were virtually fully-let while around 98% occupancy was achieved for office units.

[1] 2013 valuation figures of Sunning Plaza and Sunning Court have been reclassified from Retail, Office and Residential to conform to current year presentation. Upon the commencement of the redevelopment of Sunning Plaza and Sunning Court in 2014, its valuation is classified as and disclosed under "property under redevelopment".

[2] Property under redevelopment is valued at site value plus construction costs expended up to date.

Other Investments
In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities and principal-protected investments for higher yields.

Investment income, comprising mainly of interest income, amounted to HK$68 million (2013: HK$76 million). Although the average investment yields improved for 2014, the increase yields were partially offset by the exchange loss arisen from time deposits and term notes denominated in Renminbi.

Cash Flow
Cash flow of the Group during the year is summarised below.

	2014	2013	Change
	HK$ million	HK$ million	%
Operating cash inflow	**2,712**	2,498	+8.6
Investments	**750**	(2,236)	n/m
Financing	**(1,114)**	1,607	n/m
Capital expenditure	**(591)**	(704)	-16.1
Interest and taxation	**(439)**	(350)	+25.4
Dividends paid and proceeds on exercise of options	**(1,363)**	(1,157)	+17.8
Net cash outflow	**(45)**	(342)	-86.8

** n/m – not meaningful*

The Group reported operating cash inflow of HK$2,712 million (2013: HK$2,498 million) in 2014, reflecting the growth in our core leasing business. Net cash from investments was HK$750 million (2013: net cash used in investments: HK$2,236 million), mainly attributable to reduction in investments in term notes and time deposits with longer tenors, and dividend income received from an associate during the year. In 2013, net cash used in investments was HK$2,236 million, of which the majority were time deposits with longer tenors.

Net cash used in financing was HK$1,114 million (2013: net cash from financing: HK$1,607 million), principally reflecting the repayment of around HK$900 million bank loans and HK$200 million floating rate notes during the year. In 2013, net cash from financing was HK$1,607 million, mainly due to the new borrowings of 10-year US$300 million fixed rate notes.

Capital Expenditure and Management
The Group is committed to enhancing the asset value of its investment property portfolio through selective asset enhancement and redevelopment. The Group has also in place a portfolio-wide whole-life cycle maintenance programme as part of its ongoing strategy to pro-actively implement preventive maintenance activities. Total cash outlay of capital expenditure during the year was HK$591 million (2013: HK$704 million).

Treasury Policy

Market Highlights

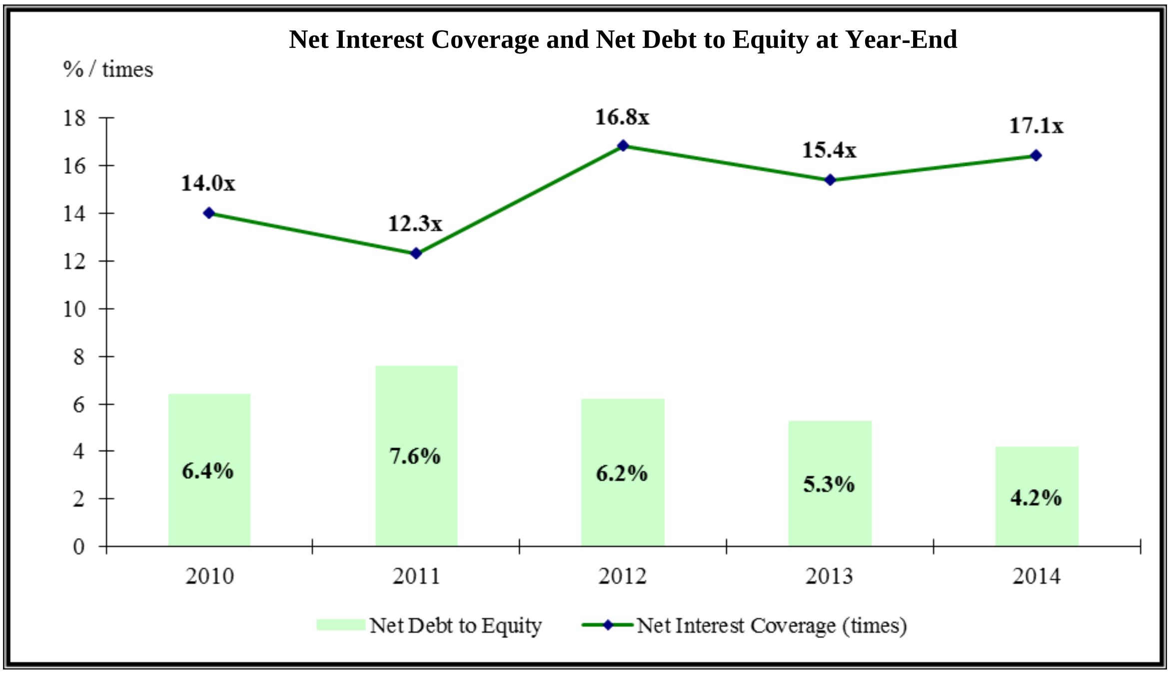
Divergent economic growth and prospects were the major characteristics of the leading global economies in 2014. While the U.S. progressed with a moderate pace of economic growth, Japan and the Euro zone recorded a weaker performance. The Chinese economic growth decelerated in 2014 due to structural economic reform and slowdown in real estate investment. Accordingly, different monetary policies were adopted in different countries. The U.S. Federal Reserve ended its asset purchase program during the year. However, central banks of Japan and the Euro zone adopted relaxing monetary policies. China also reduced its benchmark lending and deposit rates in the fourth quarter of 2014. The long-term interest rate of the U.S. Treasuries dropped noticeably in the year due to the uncertain outlook for global economic growth and increasing global deflationary pressure. In the longer term, the market is still expecting an increase in the US benchmark interest rate in 2015.

Debt Management

The debt capital markets remained active in 2014 and continued to be flushed with liquidity. As the Group issued a 10-year US$300 million fixed rate notes with coupon at 3.5% in January 2013 under the Medium Term Notes Programme to build up funds for future use, the Group had no funding requirement to issue debt in the capital market again in 2014. On the other hand, the Group repaid around HK$900 million bank loans and HK$200 million floating rate notes during the year upon their maturities. No refinancing was arranged during the year in the light of ample cash and bank deposits on hand, equivalent to HK$3,640 million as at end of 2014 (2013: HK$4,123 million).

Net Debt to Equity ratio[1] reduced from 5.3% to 4.2% as at 31 December 2014, mainly due to debt repayment. The Group's Net Interest Coverage[2] also improved to 17.1 times for 2014 (2013: 15.4 times) as cash inflow from business further strengthened. The low gearing and strong ability to meet interest payments underscored the Group's strong ability to raise further debt in case of need.

The graph below shows the level of leverage and our ability to meet interest payment obligations in the past five years.



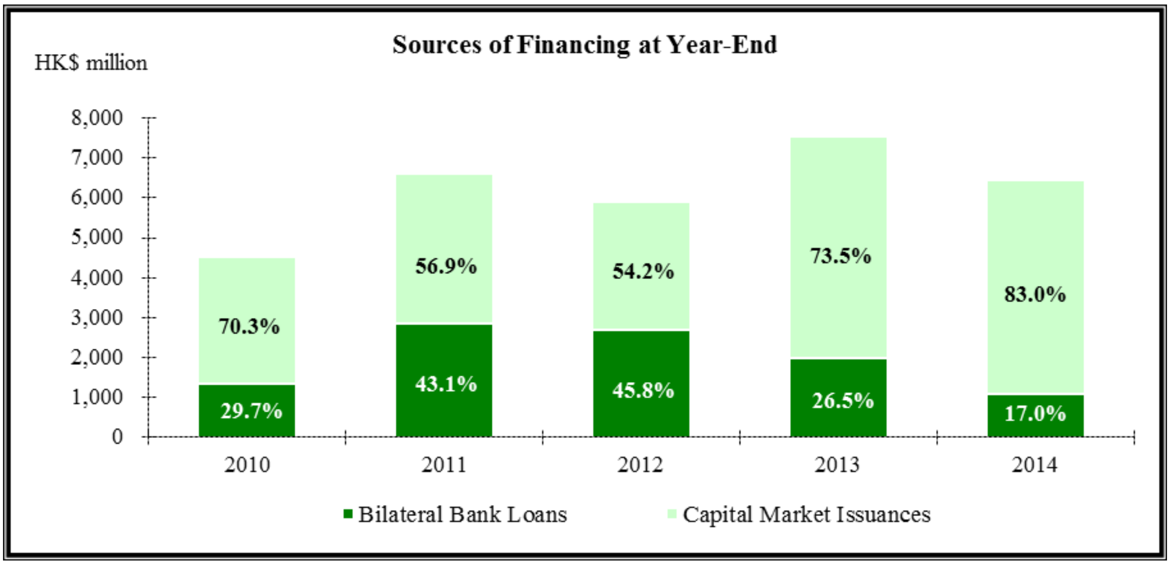
[1] Net Debt to Equity is defined as borrowings less short-term investments, time deposits, cash and bank balances divided by shareholders' funds

[2] Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses

The Group always strives to lower its borrowing margin, to diversify its funding sources and to maintain a suitable maturity profile relative to the overall use of funds. As at 31 December 2014, the outstanding gross debt[1] of the Group was HK$6,457 million (2013: HK$7,540 million), a decrease of HK$1,083 million compared with 2013 as a result of net repayment of around HK$1,100 million of debt during the year. All the outstanding borrowings are on an unsecured basis.

At year-end of 2014, about 83.0% (2013: 73.5%) of the Group's outstanding gross debts were sourced from the capital market with the remaining from banking facilities. The Group continued to maintain long-term relationships with a number of local and overseas banks in order to diversify its funding sources. At year-end of 2014, eight local and overseas banks had provided bilateral banking facilities to the Group as funding alternatives.

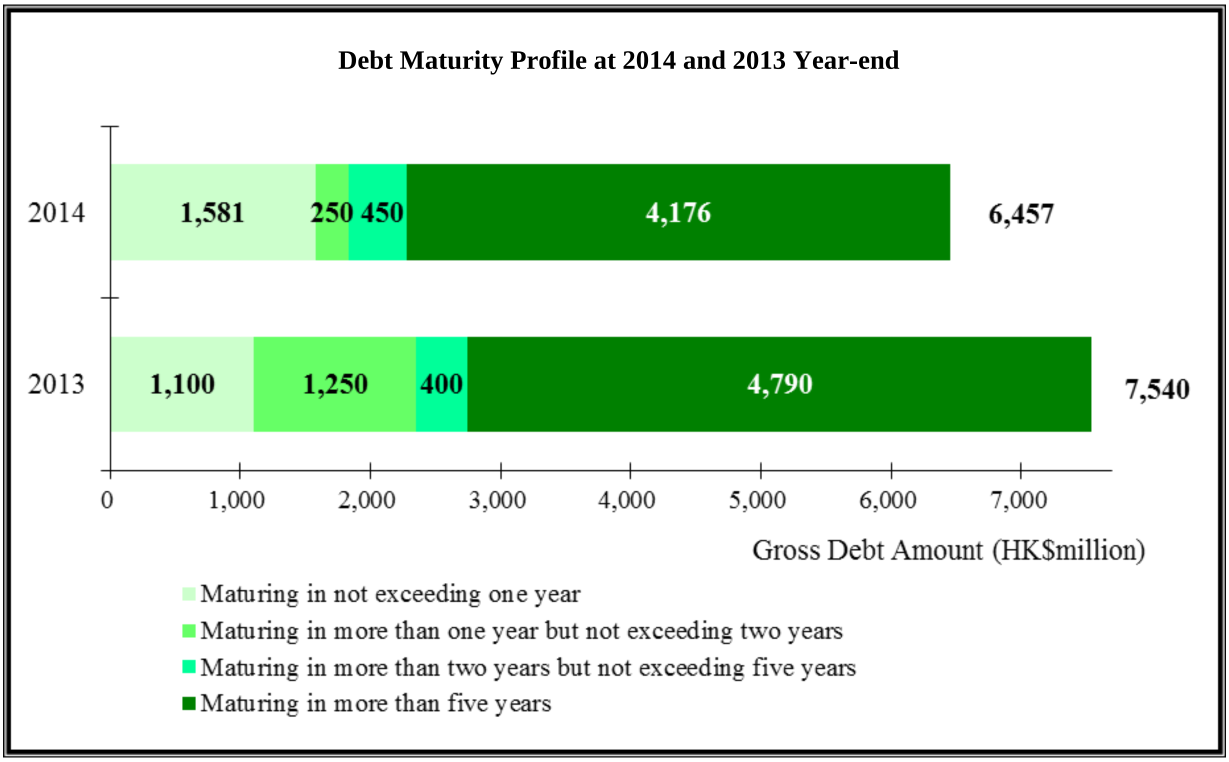
The following graph shows the percentages of total outstanding gross debts sourced from banks and the debt capital markets in the past five years.



The Group also strives to maintain an appropriate maturity profile. As at 31 December 2014, the average maturity of the debt portfolio was about 5.6 years (2013: 6.0 years), of which about HK$1,581 million or 24.5% of the outstanding gross debt will be due not exceeding one year. Given that the Group has cash and bank deposits of around HK$3,640 million, the Group is able to meet its debt repayment schedule in 2015 without much refinancing pressure.

[1] The gross debt represents the contractual principal payment obligations at 31 December 2014. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. Also, if the Group designates certain derivatives as hedging instruments (i.e. interest rate swaps) for fair value hedge, the net cumulative gains/losses attributable to the hedged interest rate risk of the hedged items (i.e. fixed rate notes and zero coupon notes) are adjusted to the hedged items. Therefore, as disclosed in the consolidated statement of financial position as at 31 December 2014, the book value of the outstanding debt of the Group was HK$6,447 million (31 December 2013: HK$7,504 million).

The graph below shows the debt maturity profile of the Group at 2014 and 2013 year-end.



Liquidity Management

Recurring cash flows from our business continued to remain steady and strong. Accordingly, the Group maintained investment-grade credit ratings of A3 as rated by Moody's and BBB+ as rated by Standard and Poor's.

As at 31 December 2014, the Group had cash and bank deposits totalling about HK$3,640 million (2013: HK$4,123 million). The decrease in deposits was mainly resulted from debt repayment. All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis. In order to preserve liquidity and enhance interest yields, the Group also invested HK$1,285 million (2013: HK$1,360 million) in debt securities and principal-protected investments.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, which amounted to HK$1,200 million at year-end 2014 (2013: HK$900 million), essentially allow the Group to obtain additional liquidity as the need arises.

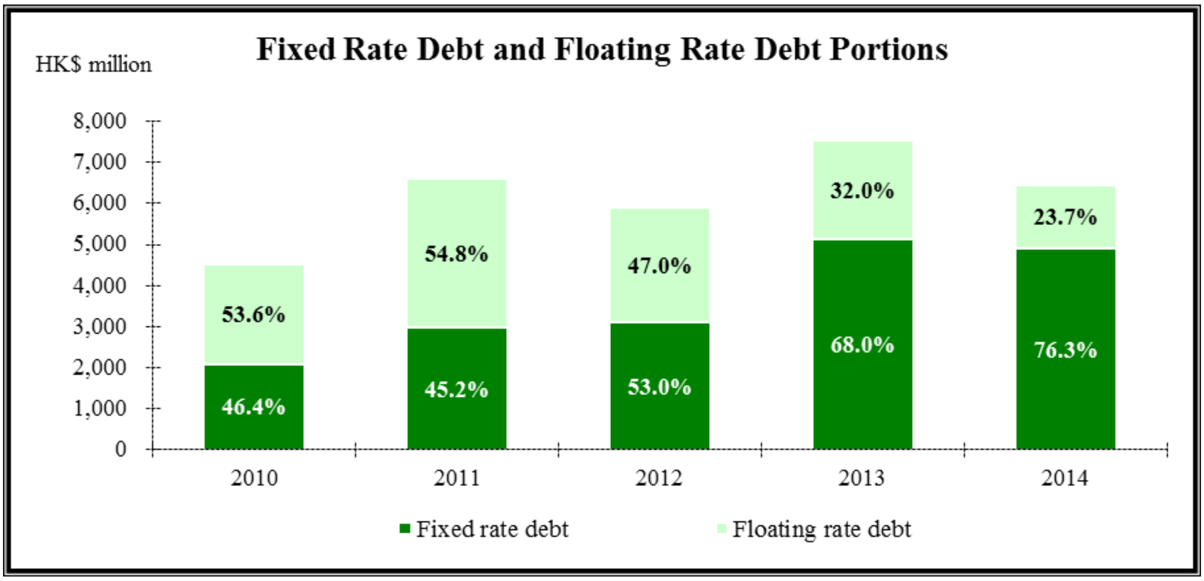
Interest Rate Management

Appropriate hedging strategies are adopted to manage exposure to projected movements in the interest rate. During the year, the 3-month Hong Kong Inter-bank Offered Rate ("HIBOR") remained low and was in a range bounded between 0.36% and 0.40%.

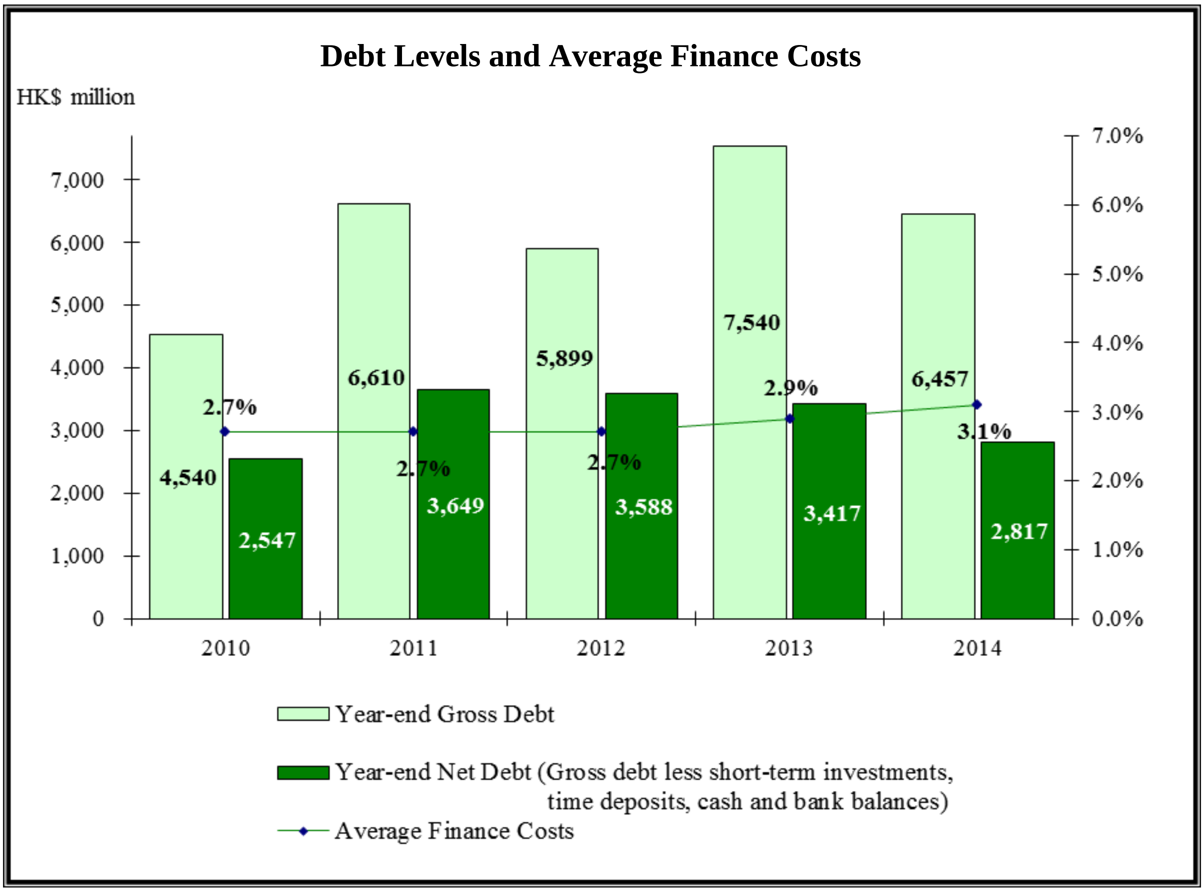
As a result of repayment of around HK$1,100 million floating rate debt that generally carried a lower finance cost compared with fixed rate debts, the average cost of financing increased to 3.1% in 2014 compared to 2.9% in 2013. The fixed debt ratio also increased to 76.3% at year-end of 2014 from 68.0% at year-end of 2013.

As the Group believes that interest rates will rise in coming few years, we expect the higher proportion of fixed rate debt will reduce the overall interest rate exposures.

The diagram below shows the fixed rate debt and floating rate debt portions in the past five years.



The diagram below shows the Group's debt levels and average finance costs in the past five years.



Foreign Exchange Management

The Group aims to have minimal mismatches in currency and does not speculate in currency movements for debt management. With the exception US$300 million fixed rate notes, which have been hedged by an appropriate hedging instrument, all of the Group's other borrowings were denominated in Hong Kong dollars. For the 10-year US$300 million fixed rate notes issued in January 2013, hedge was entered to effectively convert the borrowing into Hong Kong dollars. For the foreign exchange exposure on the investment side, the Group's outstanding balances in cash, time deposits, and debt securities amounted to US$94 million and RMB800 million, of which US$66 million and RMB665 million were hedged by foreign exchange forward contracts. Other foreign exchange exposure mainly relates to investments in the Shanghai project. These unhedged foreign exchange exposures amounted to the equivalent of HK$4,154 million (2013: HK$4,181 million) or 5.3% (2013: 5.5%) of total assets.

Use of Derivatives

As at 31 December 2014, outstanding derivatives were mainly related to the hedging of interest rate and foreign exchange exposure. Strict internal guidelines have been established to ensure derivatives are used mainly to manage volatilities or adjust the appropriate risk profile of the Group's treasury assets and liabilities.

Before entering into any hedging transaction, the Group will ensure that its counterparty possesses strong investment-grade ratings to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, which reflects the credit quality of the counterparty.

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year, but represents an extract from those consolidated financial statements. The final results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	**2014** *HK$ million*	2013 *HK$ million*
Turnover	3	**3,224**	3,063
Property expenses		**(404)**	(405)
Gross profit		**2,820**	2,658
Investment income		**68**	76
Other gains and losses		**(2)**	1
Administrative expenses		**(214)**	(208)
Finance costs		**(228)**	(242)
Change in fair value of investment properties		**2,940**	4,575
Share of results of associates		**252**	309
Profit before taxation		**5,636**	7,169
Taxation	5	**(386)**	(372)
Profit for the year	6	**5,250**	6,797
Profit for the year attributable to:			
Owners of the Company		**4,902**	6,158
Non-controlling interests		**348**	639
		5,250	6,797
Earnings per share (expressed in HK cents)	7		
Basic		**460.82**	579.04
Diluted		**460.69**	578.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million
Profit for the year		**5,250**	6,797
Other comprehensive income	8		
Items that will not be reclassified subsequently to profit or loss:			
Gains on revaluation of properties held for own use		**16**	20
Items that may be reclassified subsequently to profit or loss:			
Net adjustments to hedging reserve		**51**	(53)
Share of translation reserve of an associate		**(16)**	117
		35	64
Other comprehensive income for the year (net of tax)		**51**	84
Total comprehensive income for the year		**5,301**	6,881
Total comprehensive income attributable to:			
Owners of the Company		**4,953**	6,242
Non-controlling interests		**348**	639
		5,301	6,881

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014**	2013
		HK$ million	*HK$ million*
Non-current assets			
Investment properties		**68,735**	65,322
Property, plant and equipment		**710**	604
Investments in associates		**4,154**	4,181
Principal-protected investments		**-**	81
Term notes		**720**	622
Other financial assets		**3**	32
Other receivables	10	**226**	231
		74,548	71,073
Current assets			
Accounts and other receivables	10	**255**	241
Principal-protected investments		**80**	77
Term notes		**485**	580
Other financial assets		**15**	-
Time deposits		**3,534**	4,042
Cash and bank balances		**106**	81
		4,475	5,021
Current liabilities			
Accounts payable and accruals	11	**481**	500
Rental deposits from tenants		**306**	190
Amounts due to non-controlling interests		**327**	327
Borrowings		**1,589**	1,055
Other financial liabilities		**2**	48
Taxation payable		**104**	101
		2,809	2,221
Net current assets		**1,666**	2,800
Total assets less current liabilities		**76,214**	73,873
Non-current liabilities			
Borrowings		**4,858**	6,449
Other financial liabilities		**30**	74
Rental deposits from tenants		**569**	610
Deferred taxation		**628**	559
		6,085	7,692
Net assets		**70,129**	66,181
Capital and reserves			
Share capital		**7,640**	5,318
Reserves		**59,400**	58,008
Equity attributable to owners of the Company		**67,040**	63,326
Non-controlling interests		**3,089**	2,855
Total equity		**70,129**	66,181

Notes:

1. **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. **Principal Accounting Policies**

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

In the current year, the Group and the Company have applied all of the Amendments to Standards and Interpretation issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2014. The adoption of these Amendments to Standards and Interpretation had no material effect on the results and financial position of the Group or the Company for the current and/or prior accounting years.

In addition, the Group had applied the new requirements for hedge accounting under the 2013 version of the Hong Kong Financial Reporting Standard ("HKFRS") 9 in advance of its effective date further to the Group's early application of the 2010 version of HKFRS 9 in prior years.

<u>HKFRS 9 "Financial instrument: Hedge Accounting"</u>

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In accordance with the transitional provision for hedge accounting of HKFRS 9, the Group is only required to prospectively apply the new requirements for hedge accounting under HKFRS 9 except for certain limited exceptions from the date of initial application on 1 January 2014. At initial application, hedging relationships that qualified for hedge accounting in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" that also qualify for hedge accounting in accordance with the criteria of the new requirements after taking into account any rebalancing of the hedging relationship on transition were regarded as continuing hedging relationships.

Upon the early application of these new requirements for hedge accounting under HKFRS 9, the Group separates the spot element of certain forward contracts and designated only the change in the fair value of the spot elements of these forward contracts as hedging instruments during the year. The relevant accounting policies of these changes have had no material impact on the results and financial position of the Group or the Company for the current and/or prior years.

The Group and the Company have not early applied the following new Standards and Amendments to Standards that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group early adopted.

HKFRS 9 "Financial Instruments"

A revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for the financial assets and (b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income ("FVTOCI") measurement category for certain debt instruments.

In terms of the amendments, debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. Under the impairment approach of HKFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Directors of the Company have reviewed the Group's and the Company's financial assets as at 31 December 2014 and anticipate that the application of the 2014 version of HKFRS 9 in the future is not likely to have material impact on the results and financial position of the Group or the Company based on an analysis of the Group's and the Company's existing business model.

The Directors of the Company anticipate that the application of the other new Standards and Amendments to Standards will have no material impact on the results and financial position of the Group or the Company.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) ("New Companies Ordinance") will come into operation as from the Group's financial year commencing on 1 January 2015. The Group is in the process of making an assessment of expected impact of the changes in the New Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the New Companies Ordinance. The Directors of the Company have 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.

3. Turnover

Turnover represents gross rental income from investment properties and management fee income for the year.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

4. Segment Information

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Chief Executive Officer of the Group) in order to allocate resources to segments and to assess their performance, the Group's operating and reportable segments are as follows:

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Office segment – leasing of high quality office space and related facilities

Residential segment – leasing of luxury residential properties and related facilities

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segment.

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2014				
Turnover				
Gross rental income from investment properties	**1,674**	**1,002**	**257**	**2,933**
Management fee income	**127**	**134**	**30**	**291**
Segment revenue	**1,801**	**1,136**	**287**	**3,224**
Property expenses	**(226)**	**(118)**	**(60)**	**(404)**
Segment profit	**1,575**	**1,018**	**227**	**2,820**
Investment income				**68**
Other gains and losses				**(2)**
Administrative expenses				**(214)**
Finance costs				**(228)**
Change in fair value of investment properties				**2,940**
Share of results of associates				**252**
Profit before taxation				**5,636**

For the year ended 31 December 2013	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
Turnover				
Gross rental income from investment properties	1,553	952	270	2,775
Management fee income	125	133	30	288
Segment revenue	1,678	1,085	300	3,063
Property expenses	(212)	(128)	(65)	(405)
Segment profit	1,466	957	235	2,658
Investment income				76
Other gains and losses				1
Administrative expenses				(208)
Finance costs				(242)
Change in fair value of investment properties				4,575
Share of results of associates				309
Profit before taxation				7,169

All of the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administrative costs and directors' salaries), finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the Chief Executive Officer of the Group for the purpose of resource allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets by operating and reportable segment.

As at 31 December 2014	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
Segment assets	**34,315**	**22,685**	**7,718**	**64,718**
Investment properties under redevelopment *(Note)*				**4,020**
Investments in associates				**4,154**
Other assets				**6,131**
Consolidated assets				**79,023**

As at 31 December 2013	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
Segment assets	32,655	24,205	8,472	65,332
Investments in associates				4,181
Other assets				6,581
Consolidated assets				76,094

Note:
During the year ended 31 December 2014, certain investment properties were under redevelopment and transferred out from segment assets.

Segment assets represented the investment properties and accounts receivable of each segment without allocation of investment properties under redevelopment, property, plant and equipment, investments in associates, principal-protected investments, term notes, other financial assets, other receivables, time deposits, cash and bank balances. This is the measure reported to the Chief Executive Officer of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit. No segment liabilities analysis is presented as the Group's management monitors and manages all the liabilities on a group basis.

Other than the investments in associates, which operated in the People's Republic of China (the "PRC") with carrying amounts of HK$4,154 million (2013: HK$4,181 million), all the Group's assets are located in Hong Kong.

Other segment information

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2014				
Additions to non-current assets	**315**	**68**	**4**	**387**
Additions to investment properties under redevelopment				**166**
				553
For the year ended 31 December 2013				
Additions to non-current assets	679	50	10	739

5. Taxation

	2014 ***HK$ million***	2013 *HK$ million*
Current tax		
Hong Kong profits tax		
- current year	**323**	250
- (overprovision) underprovision in prior years	**(3)**	1
	320	251
Deferred tax	**66**	121
	386	372

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

6. Profit For The Year

	2014	2013
	HK$ million	*HK$ million*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**3**	2
Depreciation of property, plant and equipment	**17**	16
Gross rental income from investment properties including contingent rentals of HK$93 million (2013: HK$106 million)	**(2,933)**	(2,775)
Less:		
- Direct operating expenses arising from properties that generated rental income	**399**	400
- Direct operating expenses arising from properties that did not generate rental income	**5**	5
	(2,529)	(2,370)
Staff costs, comprising:		
- Directors' emoluments	**35**	32
- Share-based payments	**4**	4
- Other staff costs	**224**	218
	263	254
Share of income tax of an associate (included in share of results of associates)	**106**	119

7. Earnings Per Share

(a) Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Earnings	
	2014	2013
	HK$ million	*HK$ million*
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**4,902**	6,158

	Number of shares 2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,063,758,157**	1,063,488,216
Effect of dilutive potential ordinary shares: Share options issued by the Company	**298,254**	365,948
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,064,056,411**	1,063,854,164

In both years, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

(b) Adjusted basic earnings per share

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the year attributable to the owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2014		2013	
	Profit	**Basic earnings per share**	Profit	Basic earnings per share
	HK$ million	***HK cents***	*HK$ million*	*HK cents*
Profit for the year attributable to owners of the Company	**4,902**	**460.82**	6,158	579.04
Change in fair value of investment properties	**(2,940)**	**(276.38)**	(4,575)	(430.19)
Effect of non-controlling interests' shares	**208**	**19.55**	532	50.02
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(7)**	**(0.65)**	(72)	(6.77)
Underlying Profit	**2,163**	**203.34**	2,043	192.10
Recurring Underlying Profit	**2,163**	**203.34**	2,043	192.10

Notes:

(1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets). As there were no such adjustments in both years, the Recurring Underlying Profit is the same as the Underlying Profit.

(2) The denominators in calculating the adjusted earnings per share used are the same as those detailed above for basic earnings per share.

8. Other Comprehensive Income

	2014 HK$ million	2013 HK$ million
Other comprehensive income comprises:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of properties held for own use:		
Gain on revaluation of properties held for own use	**19**	24
Deferred taxation arising on revaluation	**(3)**	(4)
	16	20
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the year	**95**	(105)
Reclassification adjustments for net (gains) losses included in profit or loss	**(51)**	52
	44	(53)
Amortisation of forward element excluded from hedge designation	**7**	-
	51	(53)
Share of translation reserve of an associate	**(16)**	117
	35	64
Other comprehensive income for the year (net of tax)	**51**	84

9. Dividends

(a) Dividends recognised as distribution during the year:

	2014 HK$ million	2013 HK$ million
2014 first interim dividend paid - HK23 cents per share	**245**	-
2013 first interim dividend paid - HK22 cents per share	-	234
2013 second interim dividend paid - HK95 cents per share	**1,010**	-
2012 second interim dividend paid - HK78 cents per share	-	830
	1,255	1,064

(b) Dividends declared after the end of the reporting period:

Second interim dividend (in lieu of a final dividend) - HK100 cents per share (2013: HK95 cents per share)	**1,064**	1,010

The second interim dividend is not recognised as a liability as at 31 December 2014 because it has been declared after the end of the reporting period. Such dividend will be accounted for as an appropriation of the retained profits in the year ending 31 December 2015.

The declared second interim dividend will be payable in cash.

10. Accounts and Other Receivables

	2014 HK$ million	2013 HK$ million
Accounts receivable	**3**	10
Interest receivable	**93**	80
Prepayments in respect of investment properties	**71**	47
Other receivables and prepayments	**314**	335
Total	**481**	472
Analysed for reporting purposes as:		
Current assets	**255**	241
Non-current assets	**226**	231
	481	472

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK$3 million (2013: HK$10 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, none of the accounts receivable were past due but not impaired.

11. Accounts Payable and Accruals

	2014 HK$ million	2013 HK$ million
Accounts payable	**173**	162
Interest payable	**83**	83
Other payables	**225**	255
	481	500

At the end of the reporting period, accounts payable of the Group with carrying amount of HK$173 million (2013: HK$162 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board had adopted a Statement of Corporate Governance Policy which gives guidance on how corporate governance principles are applied to the Company. In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in the light of local and international best practices.

The Company meets the Code Provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, with the exception that its Remuneration Committee (established since 1987) has the responsibility of determining compensation at Executive Director-level only. While the Remuneration Committee does not determine staff compensation below Executive Director-level, its terms of reference have been expanded to cover (inter alia) the review of key terms of new compensation and benefits plans with material financial, reputational and strategic impact. The Board is of the view that, in light of the current organisational structure and the nature of Hysan's business activities, this arrangement is appropriate. The Board will continue to review this arrangement going forward in light of the evolving needs of the Group. Further information on the Company's corporate governance practices is available on our website www.hysan.com.hk.

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review year.

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

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

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 31 December 2014 was 687 (31 December 2013: 653). The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth. Details on our human resources programs, training and development are set out in the Corporate Responsibility section of the Annual Report 2014.

Closure of Register of Members

The register of members will be closed on Thursday, 26 March 2015, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 24 March 2015. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 25 March 2015. The second interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 26 March 2015 and the payment date will be on or about Thursday, 9 April 2015.

The register of members will also be closed from Thursday, 14 May 2015 to Friday, 15 May 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Company's forthcoming annual general meeting (the "AGM"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at the abovementioned address not later than 4:00 p.m. on Wednesday, 13 May 2015.

AGM

The AGM will be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (use Harbour Road Entrance) on Friday, 15 May 2015. The Notice of AGM will be published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around end of March 2015.

By Order of the Board
Wendy Wen Yee YUNG
Executive Director and Company Secretary

Hong Kong, 11 March 2015

*As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Siu Chuen LAU (Deputy Chairman and Chief Executive Officer), Nicholas Charles ALLEN**, Frederick Peter CHURCHOUSE**, Philip Yan Hok FAN**, Lawrence Juen-Yee LAU**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Kam Wing LI as his alternate), Anthony Hsien Pin LEE* (Irene Yun Lien LEE as his alternate), Chien LEE*, Michael Tze Hau LEE* and Wendy Wen Yee YUNG (Executive Director and Company Secretary).*

* *Non-executive Directors*
** *Independent non-executive Directors*

This final results announcement is published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The Annual Report 2014 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2015.