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HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2014 Final Results Announcement

HIGHLIGHTS

- Investment Properties (“IP”) reported steady growth.
- A weaker market, escalating costs and “Occupy Movement” hurt Hotel’s profitability.
- Marco Polo Changzhou opened in August 2014. Initial operating losses were incurred.
- Development Properties (“DP”) reported a notably lower profit margin and contribution as expected, notwithstanding steady turnover.
- DP sales recognized in 2014 totalled RMB3.9 billion; new sales totalled RMB3.7 billion.
- Net DP sales order book as at 31 December 2014 was RMB4.1 billion.
- Group profit declined by 15% to HK\$1,082 million.
- Unfavourable macro environment and China economic slowdown will weigh on the retail and hospitality sectors.

GROUP RESULTS

Group profit attributable to equity shareholders for the financial year ended 31 December 2014 decreased by 15% to HK\$1,082 million (2013: HK\$1,276 million). Group profit before provision for hotel property and IP revaluation surplus decreased by 42% to HK\$851 million (2013: HK\$1,464 million). Earnings per share were HK\$1.53 (2013: HK\$1.80).

DIVIDENDS

A first interim dividend of 12 cents (2013: 12 cents for interim dividend and 18 cents for special interim dividend) per share was paid on 26 September 2014. In lieu of a final dividend, a second interim dividend of 48 cents (2013: 48 cents) per share will be paid on 12 May 2015 to Shareholders on record as at 5 May 2015. Total distribution for the year 2014 will amount to 60 cents (2013: 78 cents) per share.

BUSINESS REVIEW

Hong Kong Portfolio

Investment Properties (“IP”)

The IP segment (mainly comprising prime Canton Road retail properties) was propelled by solid consumption demand, with a 12% increase in revenue and a 13% increase in operating profit. The Group’s IP portfolio was independently revalued as at 31 December 2014, resulting in a net revaluation surplus of HK\$231 million for the year.

Hotel

The Group’s two unique hotels in Hong Kong are distinguished not only in location, but also rich in history and superior in market position.

Marco Polo Hongkong Hotel (“MPHK Hotel”), with its favourable location in Harbour City, continued to provide convenience for discerning travellers and to benefit from sustained inbound tourism. The Hotel performed steadily with average room rate increasing by 1.3% and average occupancy maintained at 89%. However, impacted by escalating costs, profitability was further worsened by the “Occupy Movement” protest towards the end of the year.

Murray Building, a majestic building with towering arches, is a unique, prominent landmark building featuring an intricate design and part of Hong Kong’s heritage for nearly 50 years. Conveniently located on Cotton Tree Drive in Central, the building guards the intersection of traffic arteries in Central that run east-west and north-south and commands open green views over Hong Kong Park. It is also well connected to other buildings in the neighbourhood, as well as to the Mass Transit Railway. The Group will convert this iconic property to a luxury hotel for a total investment of over HK\$7 billion. Foundation works have commenced, with target opening scheduled for 2017.

China Portfolio

Development Properties (“DP”)

While total DP turnover remained steady at HK\$4,361 million (2013: HK\$4,577 million),

lower profit margin reduced operating profit to HK\$380 million during the year (2013: HK\$970 million). Profit recognized mainly included contributions from Changzhou Times Palace and Suzhou Times City. A lack of new completion of The U World in Chongqing reduced contribution from the joint venture by 64% to HK\$97 million (2013: HK\$271 million). China DP's share of Group core profit decreased to 34% (2013: 49%).

Notwithstanding early signs of sales improvement spurred by China's loosening property measures in recent months, various challenges in the market for most of 2014 weighed on the Group's property sales. That said, the rising middle class will continue to underpin the underlying demand for quality residences and henceforth support the real estate market in the longer run.

As at 31 December 2014, the Group had an attributable land bank of 1.5 million square metres at a book value of HK\$12.3 billion.

Sales

Including the attributable share in the joint venture project, 2,282 residences and retail units with a total GFA of 316,500 square metres were contracted for sale in 2014 for RMB3.7 billion (2013: RMB3.9 billion). The net order book as at the end of December 2014 was RMB4.1 billion for 2,910 residences and retail units with a total GFA of 362,000 square metres, with profit margins tighter than those reported for the past two years. Excluding the attributable share in the joint venture project, sales order recognition during the year was HK\$4.4 billion.

Development Progress

Changzhou Times Palace comprises residential towers, semi-detached houses and villas, a five-star Marco Polo Hotel, The Mansion and serviced apartments with a total GFA of 800,000 square metres. Additional phases were completed during the year. Construction of the remaining towers is underway, with full completion scheduled for 2016.

The U World in Chongqing, 55%-owned joint venture development, offers an attributable GFA of 232,000 square metres with most of the residences enjoying a panoramic river view from different angles. The development, adjacent to the Grand Theatre, Chongqing Science and Technology Museum and the Central park, is in close proximity to the future Chongqing International Finance Square. Construction of the remaining residential towers is underway, with full completion scheduled for 2016.

Suzhou Times City, a joint venture owned 80:20 between the Group and a unit of the local government, is located along the main east-west thoroughfare of Xiandai Da Dao and near a future metro station. Additional phases were completed in 2014. Construction of the remaining towers is underway, with full completion scheduled for 2017.

Shanghai South Station is a 493,000-square-metre commercial development in Xuhui District, in which the Group owns a 27% interest (attributable 133,000 square metres), led by major Mainland developer China Vanke Company Limited with a 51% interest. The development, situated next to Shanghai South Railway Station, is well connected to the existing Metro Line 1, Line 3 and future Line 15 stations. Construction is underway with full completion scheduled for 2020.

Investment Properties

Suzhou International Finance Square (80% attributable to the Group), is a 450-metre landmark commercial development in the new CBD overlooking Jinji Lake, and will be comparable in height to the tallest building in Hong Kong. Designed by Kohn Pederson Fox, the development consists of international Grade A office, luxurious apartments as well as a premium boutique hotel with full scenery of Suzhou. The development, with a total GFA of 278,000 square metres, will be directly connected to the future metro station. Construction is underway with completion scheduled for 2017. Total estimated cost amounted to RMB5.4 billion. Bundled with a larger and profitable DP project, Suzhou IFS will be held as IP for recurrent income. Its favourable location and good quality will drive the IFS to outperform the competition amidst a challenging market.

Hotel

In Changzhou, a 271-room five-star Marco Polo Hotel and a 31-suite Mansion were completed during the year. Initial phases have opened since August 2014. The opening of Marco Polo Changzhou, with a large garden for major events and weddings, defines a new luxury experience with its unique facilities in its urban oasis. It marks an additional income stream for the Group and enriches the Group's hospitality portfolio. Initial operating losses, however, will weigh on the Hotel segment's results in the near term.

In Suzhou, construction of a 147-room premium boutique hotel with full scenery of the city in the Suzhou IFS project is underway. The hotel's first revenue contribution is not expected to begin before 2017.

FINANCIAL REVIEW

(I) Review of 2014 Final Results

The Group recorded a core profit of HK\$851 million for year 2014 (2013: HK\$1,464 million before HK\$543 million provision for hotel property). This represents a decrease of 42% from that of last year due to the anticipated lower profit margin from China DP and lower non-operating gain against the exceptional large gain in 2013.

Including profit from IP revaluation of HK\$231 million (2013: HK\$355 million), profit attributable to shareholders stood at HK\$1,082 million (HK\$1,276 million), a decrease of 15% from last year.

Revenue and Operating Profit

Group revenue and operating profit declined by 2% to HK\$5,646 million (2013: HK\$5,758 million) and by 32% to HK\$1,124 million (2013: HK\$1,653 million), respectively.

Investment Properties (“IP”) revenue continued to grow with an increase of 12% to HK\$363 million (2013: HK\$325 million), benefitting from higher rental income from the retail areas in Marco Polo Hongkong Hotel (“MPHK Hotel”). Operating profit increased by 13% to HK\$334 million (2013: HK\$296 million).

Hotel revenue increased by 3% to HK\$674 million (2013: HK\$657 million) with higher average room rate achieved by MPHK Hotel. However, operating profit fell by 14% to HK\$175 million (2013: HK\$203 million) primarily as a result of operating loss incurred by Marco Polo Changzhou (“MP Changzhou”) which was still in the process of building up its business since its soft opening in August 2014.

Operating profit from Investment and Other Income, consisting of interest and dividend from the Group’s surplus cash and investments, rose by 25% to HK\$248 million (2013: HK\$199 million).

Development Property (“DP”) revenue and operating profit declined by 5% to HK\$4,361 million (2013: HK\$4,577 million) and by 61% to HK\$380 million (2013: HK\$970 million), respectively, which was mainly impacted by the narrow margin attributable to Changzhou Times Palace and lower completion recognition from Shanghai Xiyuan. Together with the reduction in contribution from joint venture, DP underlying profit fell by 60% to HK\$289 million (2013: HK\$717 million).

Contracted DP Sales

Inclusive of joint venture on an attributable basis, the Group recorded contracted property sales totalling RMB3,734 million (2013: RMB3,938 million). The net order book was accumulated to RMB4,064 million (December 2013: RMB4,487 million) that is available for recognition in stages of completion of various DP projects.

Increase in Fair Value of Investment Properties

The Group's completed IP were stated at fair value based on an independent valuation as at 31 December 2014 which resulted in a revaluation surplus of HK\$231 million in 2014 (2013: HK\$355 million). IP under development are carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income

Other net income of HK\$53 million (2013: HK\$211 million) was mainly derived from lower foreign exchange gain of HK\$36 million (2013: HK\$201 million) but without having realised profit (2013: HK\$44 million) from disposal of available-for-sale investments for the period.

Finance Costs

Net finance costs amounted to HK\$35 million (2013: HK\$70 million) after netting off capitalisation of HK\$126 million (2013: HK\$19 million) for the Group's projects (mainly from Murray Building).

Share of Results after Tax of Joint Ventures

Joint venture profit decreased by 64% to HK\$97 million (2013: HK\$271 million) with lower profit contribution from The U World in Chongqing.

Income Tax

Taxation charge for the period dropped by 34% to HK\$355 million (2013: HK\$536 million) due to decrease in taxable profits.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended amounted to HK\$1,082 million (2013: HK\$1,276 million), representing a decrease of 15%.

Earnings per share ("EPS") was reported at \$1.53 (2013: HK\$1.80) based on 708.8 million issued shares. Excluding IP revaluation surplus and before hotel property provision (in 2013), EPS was HK\$1.20 (2013: HK\$2.07).

(II) Liquidity, Financial Resources and Commitments**Shareholders' and Total Equity**

As at 31 December 2014, the Group's shareholders' equity increased by 5% to HK\$16,205 million (31/12/2013: HK\$15,381 million), equivalent to HK\$22.86 per share (31/12/2013: HK\$21.70 per share). Including the non-controlling interests, the Group's total equity stood at HK\$17,246 million (31/12/2013: HK\$16,447 million).

MPHK Hotel and MP Changzhou are stated at cost less accumulated depreciation in accordance with prevailing Hong Kong Financial Reporting Standards. Restating the hotel properties based on independent valuation as at 31 December 2014 would give rise to an additional revaluation surplus totalling HK\$4,319 million and increase the Group's

shareholders' equity as at 31 December 2014 to HK\$20,524 million, equivalent to HK\$28.96 per share.

Assets

The Group's total assets decreased by 5% to HK\$29,542 million (31/12/2013: HK\$31,076 million). Total business assets, excluding bank deposits and cash, available-for-sale investments, deferred tax assets and other derivative financial assets, decreased by 5% to HK\$22,704 million (31/12/2013: HK\$23,858 million).

The Group's IP as at 31 December 2014 amounted to HK\$7,253 million, representing 32% of the Group's total business assets. Hong Kong IP amounted to HK\$5,377 million (31/12/2013: HK\$5,146 million), comprising MPHK Hotel's podium and Star House units, which were valued at HK\$4,800 million and HK\$577 million, respectively. The book value of Mainland IP, Suzhou IFS under development, was stated at HK\$1,876 million (31/12/2013: HK\$1,289 million).

The Group's China DP for sale decreased by 32% to HK\$4,979 million (31/12/2013: HK\$7,376 million). In addition, DP investments undertaken through associates and joint ventures amounted to HK\$4,186 million (31/12/2013: HK\$4,087 million). Other major business assets mainly included hotel properties at MPHK Hotel, Murray Building and MP Changzhou and fixed assets totalling HK\$5,429 million.

Geographically, the Group's business assets in the Mainland decreased by 11% to HK\$12,350 million (31/12/2013: HK\$13,887 million), representing 54% of the Group's total business assets.

Net Cash/Debt and Gearing

The Group's net cash as at 31 December 2014 amounted to HK\$767 million, consisting of HK\$5,185 million in cash and HK\$4,418 million in bank borrowings in various currencies, turned around from net debt of HK\$413 million as at 31 December 2013.

Finance and Availability of Facilities and Funds

As at 31 December 2014, the Group's available loan facilities amounted to HK\$5,300 million, of which HK\$4,418 million were utilised. HK\$250 million is repayable within one year while the balance due between two and five years. Certain banking facilities were secured by mortgage over the Group's certain properties under development for sale with total carrying value of HK\$208 million (31/12/2013: HK\$209 million).

The Group's debts were denominated in HKD, USD and RMB. All the Group's borrowing were at floating rate. Further borrowings will be sourced to finance the Group's property and hotel development projects.

The use of derivative financial instruments is strictly controlled. The majority of the derivative financial instruments entered into by the Group are primarily used for hedging of the Group's interest rate and currency exposures.

The Group continued to maintain a reasonable level of surplus cash denominated principally in HKD and RMB to facilitate the Group's business and investment activities. As at 31 December 2014, the Group also maintained a portfolio of available-for-sale investments principally consisting of blue chip listed securities, with an aggregate market value of HK\$1,550 million (31/12/2013: HK\$1,340 million), which is available for liquidation to meet the Group's needs if necessary. The performance of the portfolio was largely in line with the general stock market.

Net Cash Flows for Operating and Investing Activities

For the year under review, the Group generated a net cash inflow from operating activities of HK\$2,553 million (2013: HK\$1,947 million), mainly from pre-sales proceeds net of construction cost payment for the Group's Mainland development projects. For investing activities, the Group recorded a net cash outflow of HK\$879 million (2013: HK\$6,595 million), primarily for the Group's hotel development projects and Suzhou IFS.

Commitments

As at 31 December 2014, the Group's total authorised and contracted for commitments amounted to HK\$4.2 billion which was chiefly for Mainland development projects. In addition, the Group intends to invest HK\$1.9 billion for the conversion of Murray Building into a hotel. Moreover, the Group intends to invest HK\$5.1 billion mainly for the existing DP in the Mainland, which will be incurred in stages in the forthcoming years.

The above commitments and planned expenditures are for years to be executed and will be funded by the Group's internal financial resources including cash of HK\$5.2 billion and property pre-sales proceeds as well as bank loans. Other available resources include available-for-sale investments.

(III) Human Resources

The Group had approximately 900 employees as at 31 December 2014. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Revenue	2	5,646	5,758
Direct costs and operating expenses		(4,253)	(3,804)
Selling and marketing expenses		(134)	(170)
Administrative and corporate expenses		(72)	(77)
Operating profit before depreciation, interest and tax		1,187	1,707
Depreciation		(63)	(54)
Operating profit	3	1,124	1,653
Increase in fair value of investment properties		231	355
Impairment for hotel properties under development		-	(543)
Other net income	4	53	211
		1,408	1,676
Finance costs	5	(35)	(70)
Share of results after tax of:			
Joint ventures		97	271
Associates		(4)	(2)
Profit before taxation		1,466	1,875
Income tax	6(a)	(355)	(536)
Profit for the year		1,111	1,339
Profit attributable to:			
Equity shareholders		1,082	1,276
Non-controlling interests		29	63
		1,111	1,339
Earnings per share	7		
Basic		HK\$1.53	HK\$1.80
Diluted		HK\$1.53	HK\$1.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2014

	2014 HK\$ Million	2013 HK\$ Million
Profit for the year	1,111	1,339
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations of:	(44)	376
- subsidiaries	(36)	311
- joint ventures	(8)	65
Fair value changes on available-for-sale investments:	210	(286)
- surplus / (deficit) on revaluation	210	(245)
- transferred to consolidated income statement on disposal	-	(41)
Others	(3)	8
Other comprehensive income for the year	163	98
Total comprehensive income of the year	1,274	1,437
Total comprehensive income attributable to:		
Equity shareholders	1,249	1,343
Non-controlling interests	25	94
	1,274	1,437

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Non-current assets			
Investment properties		7,253	6,435
Fixed assets		5,429	4,764
Interest in associates		2,059	1,925
Interest in joint ventures		2,127	2,162
Available-for-sale investments		1,550	1,340
Deferred tax assets		19	1
Derivative financial assets		4	-
Other non-current assets		17	20
		18,458	16,647
Current assets			
Properties for sale		4,979	7,376
Inventories		5	2
Trade and other receivables	9	716	1,066
Derivative financial assets		80	52
Prepaid tax		119	108
Bank deposits and cash		5,185	5,825
		11,084	14,429
Current liabilities			
Trade and other payables	10	(3,303)	(3,116)
Pre-sale deposits and proceeds		(4,373)	(4,998)
Derivative financial liabilities		(45)	-
Taxation payable		(119)	(215)
Bank loans		(250)	(500)
		(8,090)	(8,829)
Net current assets		2,994	5,600
Total assets less current liabilities		21,452	22,247
Non-current liabilities			
Derivative financial liabilities		(3)	(4)
Deferred tax liabilities		(35)	(58)
Bank loans		(4,168)	(5,738)
		(4,206)	(5,800)
NET ASSETS		17,246	16,447
Capital and reserves			
Share capital: nominal value		-	354
Other statutory capital reserve		-	3,287
Share capital and other statutory capital reserve	11	3,641	3,641
Other reserves		12,564	11,740
Shareholders' equity		16,205	15,381
Non-controlling interests		1,041	1,066
TOTAL EQUITY		17,246	16,447

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013 except the changes mentioned below.

The HKICPA has issued certain new and revised HKFRSs, amendments to HKFRSs and new interpretations that are first effective or available for early adoption for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements but the adoption of which has no effect on reported profit or loss, total income and expense or net assets for any period presented:

Amendments to HKAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amounts disclosure for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuance of hedge accounting

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

Amendments to HKAS 36 modified certain disclosure requirement for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset on cash generating units whose recoverable amount is based on fair value less costs of disposal. The amendments have no significant impact on the Group’s financial statements.

Amendments to HKAS 39 provided relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments have no significant impact on the Group’s financial statements.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are development property, investment property and hotel. No operating segment has been aggregated to form reportable segments.

Development property (“DP”) segment encompasses activities relating to the acquisition, development, design, marketing and sale of trading properties primarily in Mainland China.

Investment property (“IP”) segment primarily represents the property leasing of the Group’s investment properties in Hong Kong. Some of the Group’s development projects in Mainland China include properties which are intended to be held for investment purposes on completion.

Hotel segment represents the operations of Marco Polo Hongkong Hotel and Marco Polo Changzhou. It also includes Murray Building which is under construction.

Management evaluates performance based on operating profit as well as the equity share of results of associates and joint ventures of each segment.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, available-for-sale investments, derivative financial instruments and deferred tax assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

(a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income and provision HK\$ Million	Finance costs HK\$ Million	Joint ventures HK\$ Million	Associates HK\$ Million	Profit before taxation HK\$ Million
2014								
Development property	4,361	380	-	2	(12)	97	(4)	463
Investment property	363	334	231	-	(12)	-	-	553
Hotel	674	175	-	-	(6)	-	-	169
Segment total	5,398	889	231	2	(30)	97	(4)	1,185
Investment and others	248	248	-	51	(5)	-	-	294
Corporate expenses	-	(13)	-	-	-	-	-	(13)
Group total	5,646	1,124	231	53	(35)	97	(4)	1,466
2013								
Development property	4,577	970	-	(9)	-	271	(2)	1,230
Investment property	325	296	355	-	-	-	-	651
Hotel	657	203	-	(543)	(16)	-	-	(356)
Segment total	5,559	1,469	355	(552)	(16)	271	(2)	1,525
Investment and others	199	199	-	220	(54)	-	-	365
Corporate expenses	-	(15)	-	-	-	-	-	(15)
Group total	5,758	1,653	355	(332)	(70)	271	(2)	1,875

- (i) Substantially all depreciation was attributable to the Hotel Segment.
- (ii) No inter-segment revenue has been recorded during the current and prior years.
- (iii) In 2013, other net income and provision included impairment for hotel properties under development of HK\$543 million.

(b) Analysis of segment business assets

	2014	2013
	HK\$ Million	HK\$ Million
Development property	9,772	12,408
Investment property	7,427	6,446
Hotel	5,505	5,004
Total segment business assets	22,704	23,858
Unallocated corporate assets	6,838	7,218
Total assets	29,542	31,076

- (i) Hotel is stated at amortised cost. Should the completed hotel property be stated based on the valuation as at 31 December 2014 of HK\$4,990 million (2013: HK\$4,310 million), the total segment business assets would be increased to HK\$27,023 million (2013: HK\$28,141 million).
- (ii) Unallocated corporate assets mainly comprise available-for-sale investments, deferred tax assets, derivative financial assets and bank deposits and cash.

(c) Geographical information

	Revenue		Operating profit	
	2014	2013	2014	2013
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	1,038	994	549	512
Mainland China	4,575	4,732	542	1,109
Singapore	33	32	33	32
Group total	5,646	5,758	1,124	1,653

	Specified non-current assets		Total business assets	
	2014	2013	2014	2013
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	10,105	9,718	10,354	9,971
Mainland China	6,763	5,568	12,350	13,887
Group total	16,868	15,286	22,704	23,858

Specified non-current assets represented non-current assets other than available-for-sale investments, deferred tax assets, derivative financial assets and other non-current assets.

The geographical location of revenue and operating profit are analysed based on the location at which services are provided and in the case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets are based on the physical location of operations.

3. OPERATING PROFIT

Operating profit is arrived at:

	2014 HK\$ Million	2013 HK\$ Million
After charging/(crediting):		
Depreciation	63	54
Staff costs (Note i)	220	228
Auditors' remuneration	2	2
Cost of trading properties for recognised sales	3,859	3,420
Rental charges under operating leases	19	17
Rental income less direct outgoings of HK\$21 million (2013: HK\$22 million) (Note ii)	(342)	(303)
Interest income	(206)	(160)
Dividend income from listed investments	(42)	(40)

Notes:

(i) Staff costs included defined contribution pension schemes costs HK\$9 million (2013: HK\$7 million).

(ii) Rental income included contingent rentals of HK\$163 million (2013: HK\$132 million).

4. OTHER NET INCOME

	2014 HK\$ Million	2013 HK\$ Million
Profit on disposal of available-for-sale investments, including revaluation surplus of HK\$Nil (2013: HK\$41 million) transferred from the investments revaluation reserve	-	44
Net exchange gain, including the impact of forward foreign exchange contracts	53	167
	53	211

Apart from the above net exchange differences, the Group also had a total exchange loss arising from the translation of the net investments in Mainland China subsidiaries, joint ventures and associates of HK\$44 million (2013: gain of HK\$376 million), which has been dealt with as other comprehensive income.

5. FINANCE COSTS

	2014 HK\$ Million	2013 HK\$ Million
Interest on bank borrowings wholly repayable within five years	95	77
Other finance costs	66	21
	161	98
Less: Amount capitalised	(126)	(19)
	35	79
Fair value changes on cross currency interest rate swaps	-	(9)
	35	70

6. INCOME TAX

(a) Taxation charged to the consolidated income statement represents:

	2014 HK\$ Million	2013 HK\$ Million
Current income tax		
Hong Kong		
- provision for the year	96	80
- overprovision in respect of prior years	(2)	(2)
Mainland China		
- provision for the year	182	221
	276	299
Land appreciation tax ("LAT") (Note (d))	119	215
Deferred tax		
Origination and reversal of temporary differences	(22)	22
Benefit of previously unrecognised tax losses now recognised	(18)	-
	(40)	22
Total	355	536

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

(c) Income tax on profits assessable in Mainland China are China corporate income tax calculated at a rate of 25% and China withholding tax at a rate of up to 10%.

- (d) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- (e) Tax attributable to joint venture for the year ended 31 December 2014 of HK\$88 million (2013: HK\$231 million) is included in the share of results of joint ventures.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year attributable to equity shareholders of HK\$1,082 million (2013: HK\$1,276 million) and the weighted average of 709 million (2013: 709 million) ordinary shares.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2014 and 2013.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2014 HK\$ per share	2014 HK\$ Million	2013 HK\$ per share	2013 HK\$ Million
First interim dividend declared and paid	0.12	85	0.12	85
Special interim dividend declared and paid	-	-	0.18	128
Second interim dividend proposed after the end of the reporting period	0.48	340	0.48	340
	0.60	425	0.78	553

- (a) The proposed second interim dividend has not been recognised as a liability at the end of the reporting period.
- (b) The second interim dividend of HK\$340 million for 2013 was approved and paid in 2014.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis based on invoice date as at 31 December 2014 as follows:

	2014 HK\$ Million	2013 HK\$ Million
Trade receivables		
0 - 30 days	187	157
31 - 60 days	-	2
Over 60 days	1	-
	188	159
Prepayments	348	413
Other receivables	165	480
Amounts due from fellow subsidiaries	15	14
	716	1,066

The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. All the trade and other receivables are expected to be virtually recoverable within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2014 as follows:

	2014 HK\$ Million	2013 HK\$ Million
Trade payables		
0 - 30 days	15	16
31 - 60 days	6	1
Over 60 days	-	1
	21	18
Other payables and provisions	268	271
Construction costs payable	1,919	2,053
Amounts due to fellow subsidiaries	58	40
Amounts due to associates	1	1
Amounts due to joint ventures	1,036	733
	3,303	3,116

11. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	31 December 2014 No. of shares Million	31 December 2013 No. of shares Million	31 December 2014 HK\$ Million	31 December 2013 HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	709	709	354	354
Transition to no-par value regime on 3 March 2014	-	-	3,287	-
At 31 December	709	709	3,641	354

As at 31 December 2013, 1,200 million ordinary shares, with par value of HK\$0.5 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amount of the Company’s issued and fully paid capital of HK\$354 million, and the amount of HK\$3,287 million standing to the credit of the share premium account on 3 March 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

(b) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company’s share capital (see note 11(a)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

12. REVIEW OF RESULTS

The financial results for the year ended 31 December 2014 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2014 have been agreed with the Company’s Auditors to the amounts set out in the Group’s consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2014, all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year under review.

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 5 May 2015 to Tuesday, 12 May 2015, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned second interim dividend and to ascertain Shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on 12 May 2015, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 4 May 2015.

By Order of the Board

Kevin C. Y. Hui

Company Secretary

Hong Kong, 11 March 2015

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. Kevin K. P. Chan, Mr. Paul Y. C. Tsui and Hon. Frankie C. M. Yick, together with five Independent Non-executive Directors, namely, Dr. Joseph M. K. Chow, Mr. H. M. V. de Lacy Staunton, Hon. Andrew K. Y. Leung, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.