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新鴻基地產發展有限公司
Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)
(Warrant Code: 1441)

2014 / 15 Interim Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2014, excluding the effect of fair-value changes on investment properties, amounted to HK$8,463 million, compared to HK$10,644 million for the corresponding period last year. Underlying earnings per share were HK$3.08, compared to HK$3.98 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$15,696 million and HK$5.71 respectively, compared to HK$19,027 million and HK$7.12 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties, net of deferred taxation and non-controlling interests, of HK$7,654 million, compared to HK$8,918 million for the same period last year.

DIVIDEND

The directors have recommended the payment of an interim dividend of HK$0.95 per share for the six months ended 31 December 2014, the same as the corresponding period last year.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the period under review as recorded in the financial statements, including revenue from joint-venture projects, was HK$9,586 million. Profit generated from property sales was HK$2,285 million, as compared to HK$5,626 million for the same period last year. Contracted sales during the period, which mainly reflected profit bookings in subsequent periods, amounted to HK$18,655 million in attributable terms, as compared to HK$12,247 million for the corresponding period last year. Contracted sales for this financial year so far have already exceeded HK$28,000 million.

Rental Income

Steady rental income growth for the period under review was derived from higher rents for new leases and renewals, both in Hong Kong and on the mainland. Gross rental income, including contributions from joint-venture projects, rose 6% year-on-year to HK$9,635 million and net rental income increased 8% year-on-year to HK$7,438 million.

Property Business – Hong Kong

Land Bank

Capitalizing on increased opportunities in Hong Kong's land market, the Group acquired three residential sites through government public tenders during the period, including two large-scale low-density developments adjacent to the scenic Hong Kong Wetland Park. An aggregate gross floor area totalling over 2.7 million square feet can be developed on these sites, and the majority of units to be built will be of small-to-medium sizes. Site details are shown in the following table.

Location	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Tin Shui Wai Town Lot No. 33	Residential/ Shops	100	1,219,000
Tin Shui Wai Town Lot No. 34	Residential/ Shops	100	1,040,000
Tuen Mun Town Lot No. 515	Residential	100	476,000
Total			**2,735,000**

Following these acquisitions, the Group's total land bank in Hong Kong increased to 49.5 million square feet in terms of attributable gross floor area as at the end of December 2014. This comprised 20.8 million square feet of properties under development and 28.7 million square feet of completed investment properties. In addition, the Group has a total of over 27 million square feet of farmland in terms of site area in various stages of land use conversions, located primarily along existing or planned railway lines in the New Territories.

Early this month, the Group won a tender for the property development at Light Rail Tin Wing Station in Tin Shui Wai. Sitting atop the Tin Wing Station and connected by a footbridge to a nearby bus terminus and a greenery park, the project will be developed into nearly one million square feet of residential premises consisting mainly of small- to medium-sized units.

Property Development

Brought about by the release of pent-up demand from end users, the residential market in Hong Kong has been performing well both in terms of volume and price since the second quarter of 2014. This positive market momentum was driven mainly by solid end-user demand for small- to medium-sized units on the back of growing income, continuing formation of new households and favourable labour market conditions. Primary residential sales became more active with increased launches of new projects. Secondary market activities also picked up, though not as strong as first-hand sales.

In line with its core value to pursue excellence, the Group has continued to deliver quality developments that exceed customer expectations, further strengthening its corporate brand that is already well recognized by homebuyers. At the same time, considerable emphasis has been placed on every step of the value chain, from site acquisition to project planning and design, and from construction to sales and marketing as well as property management. As a result of its active involvement throughout the entire process of property development and emphasis on customer feedback, the Group has been able to respond swiftly and effectively to changes in market demand.

With its strong brand name, the Group's contracted sales in Hong Kong were impressive and reached about HK$16,000 million during the period under review, arising mainly from sales of major residential projects including The Wings IIIA and The Wings IIIB in Tseung Kwan O as well as Deauville in Tsuen Wan West. The Group also disposed of selected office properties including W50 in Wong Chuk Hang and One Harbour Square in Kwun Tong. The first phase of Century Link in Tung Chung comprising over 1,400 units went on the market in January this year and over 97% were sold within one month.

During the period, Mount One in Fanling, comprising 136,000 square feet of residential gross floor area and 4,000 square feet of retail space, was completed. In the second half of this financial year, three projects with an aggregate gross floor area of 1.3 million square feet are due for completion, including 1.2 million square feet of residential premises and the W50 office development.

Property Investment

The Group's gross rental income from its Hong Kong property investment portfolio, including contributions from joint-venture projects, increased by 6% year-on-year to HK$7,655 million for the period under review. This was attributable to positive rental reversions and higher rents for new leases. The overall occupancy of the portfolio stood high at around 95%.

The Group will continue to foster long-term relationships with its tenants through the provision of quality building management services and regular property upgrades. Its property investment portfolio will also be reviewed periodically to identify opportunities for non-core asset disposals as a way to enhance shareholders' returns.

Retail Portfolio

With long-established expertise and extensive experience accumulated over the years in the Hong Kong retail leasing market, the Group's balanced and diversified mix of shopping malls and retail space of over ten million square feet continued to perform well. Occupancy was maintained at a high level, with positive rental reversions and rising traffic. Growth of tenant sales at its major malls outperformed the market during the period. The Occupy Movement that occurred at certain districts in the fourth quarter of last year has disrupted the operations of certain malls of the Group for a short period.

MOKO, formerly Grand Century Place, at MTR Mong Kok East Station represents the latest showcase of the Group's commitment to asset enhancement initiatives. The phased reconfiguration project will be completed soon with over 90% of the tenants already opened for business. Circulations of shoppers at the mall will be considerably improved by the new layouts and escalators. Refining the tenant mix and upgrading its position have also supported its transformation into a one-stop retail hub. Such efforts are expected to enhance its rental income and traffic. Other asset enhancement plans in the pipeline include a major renovation of Metroplaza in Kwai Fong and an outdoor greening project at APM in Kowloon East.

A new highlight of the Group's retail leasing portfolio in the near term will be the opening of the mall at YOHO Midtown, scheduled for late 2015. Pre-leasing of the mall, which will offer such appealing elements as duplexes and al fresco restaurants, has started. The 250,000-square-foot mall will be integrated with the Sun Yuen Long Centre under renovation and an upcoming 470,000-sqaure-foot mall to become the million-square-foot YOHO Mall. With its enormous retail space and convenient location, YOHO Mall will be positioned as a regional shopping destination in New Territories West.

PopWalk, the retail portion spanning the Group's residential projects near MTR Tseung Kwan O Station, will make its debut in early 2016 with the opening of the 66,000-square-foot podium at The Wings II. This, together with the Group's existing malls such as Park Central, will benefit from the expanding community while enjoying footfalls from the adjacent promenade and parks. With the completion of the remaining 176,000 square feet of retail space, the Group's presence in Tseung Kwan O Town Centre will be further strengthened.

Other future additions include the retail space at North Point waterfront and the shopping centre at MTR Nam Cheong Station. Located adjacent to the Group's upcoming hotel, the North Point waterfront project will offer over 130,000 square feet of retail space while the Nam Cheong Station project atop a regional transport hub will house 300,000 square feet of floor area. Both projects are strategically situated to draw footfalls and carry promising prospects.

During the period under review, existing malls at traditional shopping districts delivered decent performances. In particular, IFC Mall in Central, The Sun Arcade in Tsim Sha Tsui and WTC More in Causeway Bay are virtually fully let. The Group also owns and manages a number of regional malls serving visitors and residents in the neighbourhoods. These include renowned malls in New Territories East such as New Town Plaza in Sha Tin, Landmark North in Sheung Shui and Tai Po Mega Mall, along with quality shopping centres in New Territories West, for instance, Tsuen Wan Plaza and V City in Tuen Mun. These malls have consistently delivered good results. Festive and themed promotions held at the Group's malls drew high traffic, contributing to the decent tenant sales growth.

Office Portfolio

During the period under review, the grade-A office market in Hong Kong showed healthy performance. Office rentals in Central have improved moderately while sustained demands were seen in non-Central areas for quality premises with high specifications and large floor-plates.

The Group's diversified portfolio of offices in Hong Kong, totalling approximately ten million square feet, continued to perform well during the period. Located primarily along rail lines, these premium office space remained the preferred choice of multinational corporations which place considerable value on professional services, superior building quality and long-lasting relationships. Positive rental reversions were achieved with overall occupancy staying high.

Considerable efforts have been made in maintaining the high standards of the Group's office premises. Central Plaza in Wan Chai is currently undergoing renovation. The first phase of the renovation project is scheduled to be completed in 2016, and with the completion of the entire project, its appeal to tenants will be further enhanced. Renovation of the office lobby at Grand Century Place in Mong Kok is underway, complementing the full-fledged renovation of the retail podium.

The office leasing market in Central is supported by low vacancy and limited new supply. International Finance Centre (IFC), as the iconic premium offices in the core financial district, continued to attract interest from investment funds and other financial institutions, and has maintained high occupancies at both towers.

International Commerce Centre (ICC) in West Kowloon has been gaining increased market recognition as an extension of the Central financial district, and has received keen interest from both international and mainland financial institutions. This reaffirmed the building's competitive edge of excellent building specifications and prestigious office address in the city. Positive rental reversions were recorded.

The Group's decentralized offices, including the Millennium City cluster in Kowloon East and Metroplaza in Kwai Fong, saw solid positive rental reversions amid high occupancies. Sustained demand stemmed from both existing tenants' expansion needs and relocation demands of businesses from diversified industries.

Property Business – Mainland

Land Bank

As at the end of December 2014, the Group's land bank on the mainland amounted to an attributable 81.6 million square feet. About 71.3 million square feet were properties under development, of which over 60% will be high-end residential units or serviced apartments. Premium offices, shopping malls and hotels made up the rest of the development land bank. The Group also held 10.3 million square feet of completed investment properties on the mainland, including several landmark integrated projects at prime locations in first-tier cities such as Shanghai and Beijing.

Property Development

The residential market on the mainland went through a period of consolidation with weak sales and softening prices in the first half of 2014, but market activities improved gradually over the past few months. The easing of government policies including the lifting of home purchase restrictions in lower-tier cities, the relaxation of mortgage terms, an interest rate cut and a reduction in reserve ratios for banks has worked as catalyst for the overall market recovery.

The Group achieved contracted sales of about HK$2,700 million in attributable terms on the mainland during the period under review. Residential projects Shanghai Arch and the 80%-owned Oriental Bund in Foshan continued to deliver satisfactory results while Top Plaza, one of the twin office towers in the 33%-owned integrated Tianhui Plaza project in Guangzhou, also maintained solid sales momentum. Major launches on the mainland included Shanghai Cullinan on the prestigious Middle Huaihai Road. The project represents one of the most sought-after deluxe residential developments in Puxi and has attracted keen interest from high-end buyers.

Construction of the Group's development projects on the mainland continued to progress as planned. Five projects with 3.4 million square feet of attributable gross floor area were completed during the period under review, of which 2.7 million square feet were residential. These premium units were well received when they were launched on the market. Project details are shown in the following table.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Park Royale Phase 1B	1 Shiling Avenue East, Huadu, Guangzhou	Residential/ Shops	100	1,072,000
Taihu International Community Phase 7A	Taihu New City, Wuxi	Residential/ Shopping Centre	40	1,002,000
Foothill Residence	76 Shanhusha Road, Zhijiang, Hangzhou	Residential	40	781,000
Forest Hills Phase 1A	Linhe East Road, Tianhe, Guangzhou	Residential/ Shops	70	326,000
Sirius Phase 1B	88 Tongyuan Road, Jinjiang District, Chengdu	Residential/ Shops	40	235,000
Total				**3,416,000**

Among major projects under development for sale, the 600,000-square-foot-plus office tower Top Plaza has progressed to the stage of internal decoration. Located at the prosperous Tianhe District in Guangzhou, the 460,000 square feet of luxury residential units at Phase 1B of Forest Hills, are also near completion. Both developments are planned for handover in the first half of 2015. Construction of Oriental Bund in Foshan has been progressing well. Phase 1A and 1B have been topped out and Phase 1C comprising 1.2 million square feet of premium homes has recently proceeded to the superstructure stage after the completion of foundation works.

Property Investment

The mainland investment property portfolio continued to be a notable contributor to the Group's rental business and recorded solid rental growth despite the slowdown of economic growth on the mainland. The Group's gross rental income from the mainland, including contributions from joint-venture projects, rose by 6% year-on-year to HK$1,631 million during the period under review. The increase was mainly driven by positive rental reversions and higher occupancy.

The Group is now applying its experience to develop two premium shopping malls in prime locations in Guangzhou, following the success of integrated projects in Shanghai. The 50%-owned Parc Central on bustling Tianhe Road will be close to a metro station serving two metro lines. With nearly 900,000 square feet of retail space, the four-storey mall will feature a variety of shops including international fashion brands and specialty restaurants, some of which are new to the city. Pre-leasing of the mall, which is expected to open in late 2015, is progressing well. The 33%-owned Tianhui Plaza is an integrated complex located in Zhujiang New Town and will include an upmarket eight-floor shopping mall, consisting of one million square feet of retail space and has a direct linkage to Liede metro station. Pre-leasing has started and upon completion in 2016 the mall will provide a one-stop shopping destination for discerning customers, featuring luxury fashion labels and exceptional entertainment facilities. These two upcoming shopping malls will enhance the Group's market position in the Pearl River Delta.

Shanghai IFC, one of the Group's iconic projects on the mainland, is situated at the core of Pudong. Within the complex, the Shanghai IFC Mall covers about 1.2 million square feet of retail space and has recorded high sales volumes and healthy rental reversions. The mall is now fully leased and tenant mix refinement is carried out on an ongoing basis to offer a more comprehensive shopping experience to customers. Construction of public pedestrian tunnels linking to areas nearby is underway to provide more convenient and easier access to customers. The premium quality of the two office towers, which are now fully occupied, continued to bring in tenants from leading mainland and multinational financial institutions. With its advantageous location in the Lujiazui Finance and Trade Zone, the office towers are expected to benefit from the expansion of the free trade zone in Shanghai later this year.

In the traditional commercial district of Puxi, Shanghai ICC is another integrated complex developed by the Group. Entering the second year of operation, the 1.3-million-square-foot IAPM mall has been fully leased and recorded a high traffic flow. The mall features a new lifestyle and late-night shopping concept in Shanghai by housing various trendy luxury brands and specialty restaurants. During the period under review, a wide range of events such as exhibitions and promotions were held to attract shoppers. Pre-leasing of Two ICC office tower, which is expected to be completed in 2015, is now underway and has attracted tenants ranging from financial institutions to professional services firms. One ICC office tower recorded high occupancy with many multinational conglomerates and financial institutions as tenants.

In addition to Shanghai IFC and Shanghai ICC, the Xujiahui Centre project is the Group's upcoming landmark development in Shanghai. Directly linked to the Xujiahui metro station which is an interchange of three metro lines, the project's 7.6 million square feet of gross floor area will span four land lots. Detailed design plans for the project are close to their final stage. Superstructure work has already commenced for Lot 1 located on Huashan Road of which more than 300,000 square feet will be retail space for long-term investment and about 180,000 square feet will be office space targeted for sale later this year. A large-scale prime shopping mall will be built on the largest lot, facing the affluent Hongqiao Road and Yishan Road. Upon completion, the project will further strengthen the Group's portfolio and bolster its brand in Shanghai.

Situated at the heart of Wangfujing commercial district, the renowned Beijing APM mall, which targets local young shoppers and tourists, recorded a steady increase in traffic flow during the period under review. More international cosmetics boutiques and fashion brands will open in the mall to further appeal to young people. A healthy growth in retail sales and decent rental reversions were achieved.

The Group's 40%-owned Wuxi The MIXC mall had its grand opening in December last year. As part of the Taihu International Community, this upmarket shopping mall with about 1.6 million square feet of retail space offers customers a wide range of shopping, leisure and entertainment experience.

Other Businesses

Hotel

The overall hotel sector in Hong Kong maintained high occupancy with stable average room rates during the period under review, although the business of certain hotels in the areas affected by the Occupy Movement was disrupted during the fourth quarter of last year.

During the period under review, the Group's hotel portfolio in Hong Kong performed well, recording a moderate increase in average revenue per available room. The four Royal brand hotels maintained stable business growth with an average occupancy of around 95%. The Group's luxury hotels, including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong, maintained their leading role in Hong Kong's hotel sector with occupancy sustaining at a high level and average revenue per available room increasing, due to the growing recognition of these hotel brands in the Greater China region. The Ritz-Carlton, Hong Kong, in particular, has increasingly established a brand image as a preferred choice for high-spending leisure travellers in the region. Business of Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East saw continued growth momentum after around two years of operation, with notable improvement in occupancy.

The Ritz-Carlton Shanghai, Pudong continued to do well during the period under review, with its room rates and revenue per available room staying among the top tier in the luxury hotel segment in the city. Its fashionable rooftop lounge, boasting an amazing night scene of Shanghai, has become the top choice for people seeking both indoor and outdoor fine dining.

The Group's hotel network will continue to expand. In Hong Kong, the foundation work for a premium hotel in Sha Tin has commenced and the construction of a waterfront hotel in North Point is proceeding as planned. These, coupled with the hotels being developed and planned on the mainland, will make additional contributions to the Group's recurrent income over time.

Telecommunications and Information Technology

SmarTone

SmarTone recovered from the low in the second half of the financial year 2013/14. Increase in total revenue and higher profit from handset sales resulted in a growth in profitability. In December 2014, SmarTone renewed its existing 3G spectrum and acquired additional spectrum for future business growth. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision continued its stable growth in profit during the period under review with its data centre as the core business. The development of a new Tseung Kwan O high-tier data centre which is due for completion in 2017 has been progressing smoothly according to schedule. The new centre is expected to further enhance business growth and generate better returns for shareholders while at the same time improving SUNeVision's capacity to meet customer needs in location, space and service quality. SUNeVision will continue to maintain its position as a major carrier-neutral data centre service provider in Hong Kong.

Infrastructure and other businesses

The Group's infrastructure and transport businesses in Hong Kong continued to perform satisfactorily. Business at Wilson Group was solid and traffic on the Route 3 (Country Park Section) grew steadily. The performance of the Hong Kong Business Aviation Centre remained healthy, attributable to steadily increasing demand for business travel. Benefiting from sustained demand for warehouse space, the Airport Freight Forwarding Centre achieved positive rental growth. Amid a relatively slack outlook prevailing in the sea-freight market, River Trade Terminal has achieved greater operational efficiency and continues to strengthen its customer base.

Corporate Finance

The Group's strong financial position is reflected in its low gearing and healthy interest coverage ratio. Net debt to shareholders' funds stayed at a low level of 13.8% as at 31 December 2014.

The Group continues to maintain one of the highest credit ratings accorded to property companies in Hong Kong. In October 2014, Standard & Poor's changed the outlook for the Group from 'negative' to 'stable'. Both Moody's and Standard & Poor's have affirmed the Group's A1 and A+ credit ratings respectively with stable outlooks. This demonstrates the credit rating agencies' recognition of the Group's operational strength under prudent financial discipline.

With such high credit ratings, the Group is able to raise funds from the debt capital market as and when issuance conditions justify. Banks continue to provide the Group with abundant unsecured banking facilities on a committed basis. In January this year, the Group arranged a HK$10,000 million five-year term loan/revolving credit syndicated facility to support its developments in Hong Kong. This facility will be used to refinance some of the Group's maturing debts and to extend its debt maturity profile. The Group's strong capability in procuring ample liquidity will continue to support its future business development and expansion.

The Group has received cash proceeds of about HK$10,000 million from the exercise of warrants which were issued in April last year. Over the next 14 months, the Group is expected to receive additional cash of over HK$12,200 million when the remaining warrants are fully exercised. This will certainly boost the Group's liquidity and financial position.

Adhering to its conservative risk management policy, the majority of the Group's bank borrowings are denominated in Hong Kong dollars, while the remainder is primarily in US dollars and Renminbi. The Group has not entered into any derivatives or structured product transactions for speculative purposes.

Corporate Governance

The Group has put in place a well-established mechanism to ensure its strong corporate governance. Directing and overseeing the Group's strategies, the Board now consists of 19 members who have diversified expertise and experience to support its long-term development, of whom seven are Independent Non-Executive Directors (INEDs). The Executive Committee, comprising all Executive Directors and three senior executives, meets regularly to formulate business policies and make decisions on major business issues with the support of a professional management team.

The Audit, Remuneration and Nomination Committees are all chaired by INEDs. The Board also maintains and assesses the effectiveness of the Group's internal control system through regular reviews conducted by the Audit Committee, the management team and both internal and external auditors. All these procedures and internal controls aim to ensure that the Group's businesses are run efficiently and its assets and shareholders' interests are safeguarded.

The Group places great importance on providing accurate and timely information to the investment community and maintaining effective two-way communication with stakeholders for the purpose of transparency. Management takes a proactive approach to communicating with investors, analysts and credit-rating agencies through analyst briefings, regular meetings and conference calls to keep them abreast of the Group's strategy, business updates and outlook. The Group also participates frequently in large-scale investor conferences and presentations to strengthen long-term relationships with stakeholders worldwide.

In recognition of its management expertise, good corporate governance and social responsibility, the Group has received various major awards from leading financial publications, including the title of the Best Office/Business Developer in Asia and Best Mixed Developer in Asia by *Euromoney* magazine. The Group also won a Platinum Award in Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations from *The Asset* magazine.

Sustainable Development

In line with the philosophy of Building Homes with Heart and the pursuit of sustainability for the Company and society, the Group has placed considerable emphasis on customer satisfaction, its valued employees and community services through corporate social responsibility programmes.

Dedicated to providing value-added services that complement its high-quality developments, the award-winning property management subsidiaries Hong Yip and Kai Shing offer superior customer services to users of over 258 million square feet of residential and commercial developments in Hong Kong and on the mainland.

A check-and-balance system is in place to ensure that customers' comments and needs are fully met and are reflected in the planning cycle for the continuous improvement of product and service quality. In addition, the SHKP Club, the largest property-customer outreach club in Hong Kong with a membership of over 340,000 to date, also facilitates two-way communication with members and potential customers. These establishments represent an integral part of the Group's concerted effort in delivering quality products and services to customers, such as the SHKP Quality Campaign that resulted in the extension of quality guarantee for newly sold residential units in Hong Kong to three years, among other initiatives.

Attracting, developing and retaining the best talents are crucial to the Group's continued success and sustained business development. The professional, custom-made training programmes for technical skills and managerial competency are designed to realize the full potential of the 37,000-plus staff members. In addition, the Group provides a wide range of social and recreational activities for its staff and family members as well as retired colleagues.

The Group is also committed to attracting and nurturing young people who aspire to develop a career in the industry. Launched in 2014, the SHKP SDU – Trainee Programme offered a one-year on-the-job and off-work training programme for sub-degree graduates working in member companies of the Group. The Modern Apprenticeship Programme that offers interpersonal and leadership training along with internships for disadvantaged young people also continued this year.

In the area of corporate social responsibility, a three-pronged approach has been initiated for the betterment of society. The SHKP Reading Club continued to promote the joy of reading in the community through the staging of seminars as well as reading and writing camps, reading-related personal development programmes and competitions that have collectively attracted over 15,000 participants. The Club also conducted Reading Index surveys on local reading habits and published the free *ReadIt* and *Read Monthly* magazines for its members and the public.

The Group's signature SHKP Vertical Run for Charity reached a new scale in 2014. The Race to Hong Kong ICC and Race to Shanghai IFC raised funds for youth and child services in the two cities. The Race to Hong Kong ICC was once again the grand finale on the Vertical World Circuit and brought elite international runners to compete at ICC for the world championship.

Preserving the environment remains a key component of the Group's sustainable development initiatives. An array of coastal clean-ups and outdoor learning events under the Love Nature Campaign was organized.

The Group's Building Homes with Heart Caring Initiative showed love and care for over 7,500 people during the period under review. As part of the Group's effort to promote goodwill in the community, a series of guided tours was organized for hundreds of the less fortunate to visit the Sky100 Hong Kong Observation Deck and Noah's Ark Hong Kong to broaden their horizons and help them better integrate into society.

PROSPECTS

In the year ahead, the global economy is expected to move forward at a moderate pace with little inflation amid an improved economic outlook in the US and a relatively slower pace of growth in other major economies. The major uncertainties ahead are the great volatility in the global financial markets arising from competitive devaluations by various economies and the changing expectations on possible interest rate hikes in the US. Adding to the risk are financial stresses likely to be faced by energy-rich economies should oil prices continue to fall. Nevertheless, loose monetary policies adopted by major economies such as the Eurozone, Japan and China will cushion the downside risks for the world economy.

The mainland economy is likely to continue its transition to a new normal with more sustainable, but lower growth. Recent monetary easing in the form of interest rate cuts and the reduction in required reserves ratios for banks will help support economic growth. Meanwhile, huge infrastructure investments are expected to carry on over the medium term in view of plans to build land and maritime 'Silk Roads'. New home sales in key mainland cities are likely to further improve, with the government policy of easing curbs on mortgage lending and relaxation in home purchase restrictions filtering through the property market. The Group remains confident of the medium- to long-term outlook for the mainland economy and its property sector.

The Hong Kong economy is also expected to continue to grow mildly in 2015, supported by ongoing large-scale infrastructure construction and healthy domestic consumption amid robust employment conditions. The residential market, in particular the segment for small- to medium-sized units, is anticipated to remain positive, given the solid demand from end-users with continuous growth in household formation and rising personal income. Despite the recent controversy over the future electoral system, the Group remains optimistic over the prospects of the Hong Kong economy and its property market.

The Group will continue to expand its property business in Hong Kong in spite of rising competition in the local property market recently. With public recognition of its premium brand as well as its quality products and services, the Group is confident of its ability to remain as a market leader. The Group will continue to acquire land with the goal of increasing its production for sale over time, particularly in Hong Kong where more opportunities are likely to arise. On the mainland, the Group will carry on with its selective approach with a focus on investing in key cities and to develop its land bank that is sufficient for development well over the next five years. The Group will also take steps to mitigate the impact of rising construction costs, while keeping the commitment to quality which has been crucial in underscoring the Group's brand over the years.

New projects for sale both in Hong Kong and on the mainland will continue to be offered. Major residential projects to be launched in Hong Kong in the near future include a new batch of units of The Cullinan at Kowloon Station, the first phases of two premium projects, namely a development adjacent to MTR Ho Man Tin Station under construction and the Yuen Long Town Lot No. 507

development project under the YOHO brand. The residential units at a waterfront site at Tseung Kwan O Town Lot No. 118 and the second phase of Century Link in Tung Chung are also in the pipeline. Major mainland projects that will go on the market include GCC (Guangzhou Commerce Centre), which is a premium office tower of Forest Hills in Guangzhou adjacent to the Guangzhou-Hong Kong through-train station, a new batch of luxury residential units at Shanghai Cullinan in Puxi and a new phase of quality residential units at Oriental Bund in Foshan.

Rental income of the Group both in Hong Kong and on the mainland is expected to increase steadily with positive rental reversions as well as sustained high occupancies and contributions from new investment properties. The Group will continue to expand its investment property portfolio. In Hong Kong, retail projects in the pipeline include YOHO Mall next to MTR Yuen Long Station, PopWalk in Tseung Kwan O, a quality shopping centre atop MTR Nam Cheong Station in West Kowloon and an upmarket mall at a waterfront site in North Point. On the mainland, major investment properties in the pipeline include Parc Central and Tianhui Plaza in Guangzhou, as well as the landmark Xujiahui Centre project in Xuhui district in Shanghai.

The phased completion of Xujiahui Centre project in Shanghai, together with two existing flagship projects Shanghai IFC and Shanghai ICC, will further strengthen the Group’s leading role in the commercial leasing market in Shanghai. The mainland rental income base and its share in the Group’s overall recurrent income are expected to rise and become more significant over time on the back of a notable increase in completed investment properties on the mainland, particularly in Shanghai.

Since listing in 1972, the Group has grown to become one of the largest real estate companies in the world, despite ups and downs in different forms. The Group treasures its widely acknowledged brand of premium products and services, cultivated over the years by a high-calibre and professional team working closely with the Board and the Executive Committee. Given its roots in Hong Kong, the Group will uphold the core belief of Building Homes with Heart and continue to invest in Hong Kong, producing high-quality products, as well as serving society through community and charity works as always. I would like to reiterate that the Group will continue with its time-tested business strategies and further strengthen its corporate governance. Hand-in-hand with our highly valued and devoted staff, I have full confidence that the Group will build on its solid foundation to further expand its business and contribute to the prosperity and stability of Hong Kong.

Barring unforeseen circumstances, the Group’s results for the current financial year are expected to be satisfactory.

DIRECTORS AND APPRECIATION

Mr. Kwok Ping-kwong, Thomas resigned as Chairman and Managing Director of the Company with effect from 19 December 2014. Mr. Kwok was with the Group for over 37 years and had acted as Vice Chairman of the Company for 21 years. He was appointed as one of the joint Chairmen of the Company in December 2011. As a dedicated leader, Mr. Kwok, with his vision, expertise and effort to promote a corporate culture of quality, had been instrumental in building a solid foundation for the Group. The exemplary standards of professionalism he helped establish will continue to be a valuable asset for the Group’s long-term development.

Mr. Chan Kui-yuen, Thomas resigned as an Executive Director of the Company with effect from 19 December 2014. Mr. Chan served the Group for over 41 years and had been an Executive Director of the Company since September 1987. Through his work in project planning and development during his long tenure, he made a substantial contribution to the Group, and was crucial to its success in the development of a number of premium projects.

Mr. Kwok Kai-fai, Adam ceased to be Mr. Thomas Kwok's Alternate Director and was appointed as an Executive Director of the Company effective 19 December 2014.

I would also like to take this opportunity to express my gratitude to my fellow directors for their guidance and to all staff for their dedication and hard work.

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 27 February 2015