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WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

2014 Final Results Announcement

Group Profit Increased by 30% to HK\$22 Billion

Hong Kong Development Properties (“DP”) Highlights

- Contracted property sales totalled HK\$18.8 billion. A total of 1.2 million square feet of saleable area was sold.
- Residential contracted sales contributed HK\$13.1 billion:
 - Grand Austin: 100% of its 691 units were presold.
 - The Parkside: 94% of its 591 units were presold.
 - Kensington Hill: 78% of its 60 units launched were presold.
- Commercial contracted sales contributed HK\$5.7 billion:
 - The East Tower of One Bay East was presold enbloc to Citigroup for HK\$5.4 billion.
 - The One Bay East project has generated HK\$10 billion in sales.
- Net order book was HK\$15.0 billion, of which over 90% will be recognised in the next 18 months.
- Land bank under management was 7.8 million square feet, including 1.5 million square feet through Kai Tak and LOHAS Park acquisitions.
- A diversified and competitive land bank: 95% is in urban areas and 75% is along the Victoria Harbour.

Wheelock Group Consolidated Highlights

- Group revenue and operating profit increased by 17% and 5% to HK\$41.0 billion and HK\$15.7 billion respectively. Group underlying profit increased by 4% to HK\$8.1 billion.
- Before consolidating Wharf and Wheelock Properties (Singapore):
 - Wheelock's own underlying profit increased by 69% to HK\$2.2 billion, driven by profit recognition of Lexington Hill and Austin Station Property Development.
 - Contribution to consolidated underlying profit increased to 27% from 17% in 2013.
 - Net gearing decreased to 18.8% (June 2014: 23.7%). There is no debt expiring in 2015, and HK\$13.2 billion of sales receivables are expected to be recouped in the next 24 months.
- Wharf contributed HK\$5.7 billion in underlying profit to the Group:
 - Core business Investment Properties' underlying profit increased by 16% and accounted for 73% of Wharf's total underlying profit.
 - Chengdu IFS, in its first year of operation, became the largest contributor to China Investment Properties' underlying profit.
- Wheelock Properties (Singapore) contributed HK\$250 million in underlying profit to the Group:
 - Through a 40%-owned associated company, an indirect interest of 22.6% of the issued share capital of Hotel Properties Limited ("HPL") was acquired.
 - The Panorama, a residential development in Ang Mo Kio, presold 91% of the 350 units launched.

GROUP RESULTS

Excluding investment property revaluation gain and exceptional items, underlying profit was HK\$8,103 million (2013: HK\$7,822 million).

Including exceptional items but excluding investment property revaluation gain, Group profit was HK\$7,035 million (2013: HK\$7,724 million).

Group profit attributable to equity shareholders was HK\$22,009 million (2013: HK\$16,954 million). Earnings per share were HK\$10.83 (2013: HK\$8.34).

DIVIDENDS

A first interim dividend of 38.5 cents per share was paid on 30 September 2014. In lieu of a final dividend, a second interim dividend of 68.25 cents per share will be paid on 19 May 2015 to Shareholders on record as at 13 May 2015. Total distribution for the year 2014 will amount to HK\$1.0675 (2013: HK\$1.00) per share.

BUSINESS REVIEW

Development Properties

Property Sales

Contracted property sales totalled HK\$18.8 billion. Residential and commercial sales accounted for 70% and 30% respectively of the total sales figure. Since 2012, a steady diversification of property sales between residential and commercial projects has been maintained. Net order book was HK\$15.0 billion, of which over 90% will be recognised in the next 18 months.

Residential Sales

Residential contracted sales contributed HK\$13.1 billion, with attributable 954 units sold. **Grand Austin** presold 100% of its 691 units, **The Parkside** presold 94% of its 591 units, while **Kensington Hill** presold 78% of its launched 60 units. These strong sell-through rates ably support Wheelock Properties Limited's ("WPL") strategy of focusing on quality products catering to market needs.

Commercial Sales

Commercial contracted sales contributed HK\$5.7 billion. In June 2014, the **East Tower of One Bay East** was presold enbloc to Citigroup for HK\$5.4 billion. The One Bay East project has generated HK\$10 billion in sales, a record high for Hong Kong's office project transactions. It also represents Citigroup's largest acquisition in Hong Kong and Manulife's largest acquisition globally. These two financial institutions will position their regional operational bases here.

Land Bank

Between 2010 and 2014, the Hong Kong DP land bank under management increased from 4.6 million square feet to 7.8 million square feet. In 2014, a total of 1.5 million square feet was added through the acquisitions at Kai Tak and LOHAS Park.

WPL's diversified and competitive Hong Kong DP land bank is adequate to fulfil development needs over the coming years. 95% of the land bank is in urban areas, while 75% is along the Victoria Harbour. The land bank has an 80/20 split between residential and commercial uses.

The O'South Portfolio (Tseung Kwan O South) comprises three waterfront residential developments, totalling 1.9 million square feet. Satisfactory response from The Parkside and other developments in O'South has proven the area's uniqueness and ability to command premium prices in Tseung Kwan O. O'South, served by the Tseung Kwan O and Tiu Keng Leng MTR Stations, has two million square feet of green area, over 10 kilometers of waterfront promenade and two million square feet of retail facilities. O'South residents can enjoy a green and convenient lifestyle.

The Kowloon East Waterfront Portfolio comprises clusters in Bay East CBD 2 and Yau Tong, totalling 2.7 million square feet, located along the Victoria Harbour. One Bay East was topped out by the global CEOs of Citigroup and Manulife in September 2014, and completion is scheduled for 2015. Wharf T&T Square redevelopment is now underway. Concurrently, as part of the ongoing revitalisation of Kowloon East, Peninsula East in Yau Tong is planned for presale in 2015 while Kai Tak residential development is also underway.

The Kowloon South Portfolio comprises a Grade A office development on the Hung Hom harbourfront, One HarbourGate, and residential developments in Ho Man Tin. These developments are located in the heart of Kowloon with convenient connections to the existing and future MTR network. One HarbourGate is planned for presale in 2015.

The Peak Portfolio comprises four developments, totalling 0.5 million square feet, at Hong Kong's most sought-after residential location. Mount Nicholson, a joint development with Nan Fung, is planned for sale in 2015. Redevelopments of three existing properties (No. 1 and 11 Plantation Road and 77 Peak Road) are also in progress.

Investment Property (“IP”)

Wheelock House is the Group's head office and the only investment property held under Wheelock. It is located in the heart of Central's core commercial district, atop the Central MTR Station. Office occupancy as at 31 December 2014 was maintained at 99%. **Crawford House** was sold to Wharf in August 2014 at an underlying valuation of HK\$5.8 billion. This will facilitate Wheelock to focus on Hong Kong DP.

Corporate Social Responsibility

Business-in-community is a critical aspect of CSR. Project *WeCan* has entered its second stage with a total of 44 participating schools, benefiting over 40,000 underprivileged students. Through activities such as company visits, career sharing and job tasting, this initiative helps students to expand their exposure and assist in their career planning.

The Group is committed to sustainable development. On construction sites, a total of seven property developments have been rated Provisional BEAM Plus Gold so far. This reflects the compliance with international standards in terms of design, construction and property management, aiming to minimise construction waste, pollution and energy inefficiency. In the office environment, WPL achieved a 22.8% reduction in carbon emission, which exceeded our 15% reduction target three years ahead of schedule. This effort is well recognised by WWF Hong Kong's Gold Label Award for the third consecutive year. Further, the Woo Wheelock Green Fund funded 10 new environment-related research projects last year.

During the year, WPL's staff volunteers organised and participated in 55 CSR events, devoting more than 900 volunteer hours. A total of HK\$4.2 million was raised for charities through various events including the second annual Swim For a Million, co-organised with The Community Chest of Hong Kong. In art and culture, The Peak Photo Competition, Tseung Kwan O Photo Competition and The Peak Exhibition were organised to promote Hong Kong's natural beauty and to support photography talents.

WPL was granted the Social Responsibility Award of the Year by the Royal Institution of Chartered Surveyors to recognise its commitment to community service. WPL has also been awarded Caring Company by the Hong Kong Council of Social Services for the second consecutive year.

In August 2014, WPL published its third Corporate Social Responsibility Report, reporting for the first time according to Global Reporting Initiative (GRI) G4 sustainability reporting guidelines. Wheelock will be publishing its first independent Environment, Social and Governance Report in August 2015.

Wheelock and Company is the majority shareholder of The Wharf (Holdings) Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the 2014 financial year.

The Wharf (Holdings) Limited (“Wharf”) 55.6% Equity Investment

Investment Properties

In Hong Kong, **Harbour City** again outperformed the retail market in a challenging retail environment. Retail sales grew by 3.4% to set another record of HK\$35 billion. Market share gained further to 7.1%, manifesting its leading position. With two million square feet of contiguous retail space and 530-metre retail frontage along Canton Road, Harbour City is among the world’s leading shopping destinations. Ocean Terminal’s value-accretive renovation is progressing according to plan. Upon completion of the extension building, new culinary options with breathtaking panoramic views of the Hong Kong skyline will be offered. Office demand continued to be underpinned by business expansion and corporate upgrades.

Times Square is among the most successful vertical malls in the world and remains a must-visit shopping landmark in town. The enhanced mall has pushed the bar to new heights and caters to higher levels of service, sophistication and entertainment demands from a broader range of shoppers. Retail sales grew by 11% to set another record of HK\$10.5 billion, while occupancy was maintained at virtually 100% at the year end. Its offices remained the preferred location for multinationals in the service and consumer goods industries.

Plaza Hollywood is a leading shopping mall in Kowloon East. It is not only located atop the Diamond Hill MTR Station, the future interchange hub for the new Shatin-Central link, but is also at the entrance to Tate’s Cairn tunnel linking Kowloon East and New Territories to Shenzhen. This prominent location has placed Plaza Hollywood in an excellent position to attract phenomenal foot traffic and creates a good catchment area for the mall. Occupancy was 99% at the year end.

In Mainland China, the five IPs continued to deliver solid performance. **Shanghai Wheelock Square** remained the preferred office location for multinational firms and major corporations. Office occupancy rate was 98% at the year end. **Shanghai Times Square** has transformed to a high-end retail destination with the largest Lane Crawford store in China. It was 99% occupied at the year end. **Dalian Times Square, Chongqing Times Square** and **Chengdu Times Outlets** continued to be well received in their markets.

International Finance Square (“IFS”) is a new series of IP projects being developed in Mainland China, on a scale comparable to or surpassing that of Harbour City and Times Square in Hong Kong. These IFSs will significantly enhance the Group’s recurrent income base in Mainland China and be a significant growth driver.

Chengdu IFS retail mall was opened in early 2014. It has become a one-stop lifestyle shopping landmark in Western China, housing nearly 300 of the world’s most coveted brands. The mall closed the year with solid performance, with the occupancy rate reaching 99%, and 98% of the shops already in operation. The mall generated retail revenue of RMB483 million, which was 21% above target. The first office tower was completed in 2014 and was 40% occupied at the year end, with another 26% under final negotiation with potential tenants. Such leasing status marked the highest penetration for office leasing in Chengdu. Niccolo by Marco Polo, a premium hotel featuring 228 rooms and suites, is scheduled for opening in mid-2015.

Chongqing IFS features an iconic 300-metre landmark tower and four other towers above a 102,000 square-metre retail podium. Over 80% of office towers 2 and 3 were sold as at the year end. Over 50% of retail space was under offer, including key anchor brands and a slew of major players across different retail categories. Development of other IFSs in Wuxi, Suzhou and Changsha are in progress.

China Development Properties

Policy headwinds overshadowed the private housing market in China for most of 2014. Against this backdrop, Wharf achieved contracted sales of RMB21.5 billion, which was 94% of the target achieved. A total of 50 development projects spanning 14 cities were offered for sale or pre-sale. Inclusive of China IP, the current landbank was maintained at 10.2 million square metres.

Wharf holds approximately 24.3% of the equity interest in Greentown China Holdings Limited (“Greentown”), a leading high-end real estate developer in China with strong brand recognition. The investment in Greentown complements the Group’s business strategy for China DP.

Other Investments / Businesses

Marco Polo Hotels currently operates 14 Marco Polo hotels in the Asia Pacific region, five of which are owned by the Group. As an integral part of its expansion plan, there will be a portfolio of 11 owned hotels in five years’ time. The Marco Polo Changzhou, destined to be an exclusive urban oasis and the city’s prime destination for sophisticated events and weddings, was opened in August 2014.

Wharf continued with plans to convert **Murray Building** in Central, Hong Kong into a unique luxury hotel with 340 deluxe guestrooms, for a total investment exceeding HK\$7 billion. Foundation works have commenced and opening is targeted for 2017.

Modern Terminals saw lukewarm growth in global trade flows, driven by the fledging recovery of US and European economies, which in turn boosted revenue.

i-CABLE faced significant pressure on both subscription and airtime sales revenue, resulting from weaker local consumption, depressed demand, intensive competition and an increasing supply of product substitution. It has become more necessary than ever to invest prudently in programming and other initiatives to prepare for challenging times ahead.

Wharf T&T achieved another record-breaking year in its growth journey, underpinned by solid growth in its telecom business.

Wheelock Properties (Singapore) Limited (“WPSL”) 75.8% Equity Investment

In accordance with the Hong Kong Financial Reporting Standards, WPSL’s profit contribution to Wheelock for the year ended 31 December 2014 was HK\$272 million (2013: HK\$227 million).

Investment Properties

Wheelock Place delivered stable performance, with occupancy maintained at 99.6% for both office and retail as at 31 December 2014. The average monthly rent achieved was above S\$13.5 per square foot. **Scotts Square Retail**’s occupancy rate was about 88% with an average monthly rental of about S\$16 per square foot as at 31 December 2014. The retail mall’s re-tenanting exercise to maximise retail value is in progress.

Development Properties

The Panorama was launched for presales during the year. A total of 317 units, or 91% of the 350 units launched, were sold at an average price of S\$1,267 per square foot. This development is located in Ang Mo Kio residential district and within walking distance to the future Mayflower MRT Station. Upon completion of this Thomson MRT line, Orchard Road is only seven MRT stops away. Sales of **Ardmore Three** is underway and the temporary occupation permit was obtained in December 2014.

Investment in Hotel Properties Limited

Through a 40%-owned associated company, WPSL participated in a successful general offer, led by the Managing Director of HPL, to acquire a 56.5% ownership in HPL. WPSL's attributable interest in HPL increased from a direct holding of 20.2% to an indirect holding of 22.6%. HPL has been reclassified from an available-for-sale investment to an associated company. HPL focuses on quality hotel and property assets in Singapore and overseas.

FINANCIAL REVIEW

(I) Review of 2014 Results

Wheelock & Company (before consolidation of listed subsidiaries WPSL and Wharf)

Wheelock's own net profit increased by 45% to HK\$2,272 million (2013: HK\$1,572 million). Excluding the IP revaluation gain of HK\$109 million (2013: HK\$320 million) and the mark-to-market loss of HK\$34 million (2013: HK\$51 million) on swaps, underlying profit increased by 69% to HK\$2,197 million (2013: HK\$1,303 million). This was mainly attributable to the profit contribution from the Austin joint venture on completion of The Austin (Phase I) and Grand Austin (Phase II).

Wheelock Group

The Group continued to deliver solid financial results in 2014 with its underlying profit increasing by 4% to HK\$8,103 million (2013: HK\$7,822 million). This was mainly attributable to continuous rental revenue growth, which was partly offset by lower DP profit, decrease in profit contribution from associates and lower investment disposal profit as compared to 2013.

Group profit attributable to equity shareholders increased by 30% to HK\$22,009 million (2013: HK\$16,954 million), due to a higher IP revaluation gain.

Revenue and Operating Profit

Group revenue increased by 17% to HK\$40,953 million (2013: HK\$35,071 million), mainly attributable to higher property sales recognised in the Mainland and increase in rental revenue. Operating profit increased by 5% to HK\$15,729 million (2013: HK\$14,938 million) as impacted by lower operating profit from China DP.

Investment Property

Revenue and operating profit increased by 19% and 16% to HK\$14,198 million (2013: HK\$11,949 million) and HK\$11,503 million (2013: HK\$9,891 million) respectively, attributable to firm retail base rent achieved from previous lease commitments and stable positive rental reversions for offices. Revenue from the Mainland increased by 57% to HK\$1,984 million (2013: HK\$1,261 million) due to the renovated mall at Shanghai Times Square and the newly-opened Chengdu IFS.

Development Property

Revenue increased by 28% to HK\$17,198 million (2013: HK\$13,430 million) but operating profit decreased by 29% to HK\$2,367 million (2013: HK\$3,341 million).

In Hong Kong, recognised property sales decreased by 15% to HK\$1,669 million (2013: HK\$1,972 million) with lower recognition from Lexington Hill as compared to Kadoorie Hill in 2013. Operating profit decreased by 9% to HK\$718 million (2013: HK\$790 million) with

higher margin for Lexington Hill. Lexington Hill was completed with all residential units sold, enabling the recognition of revenue of HK\$1,381 million and operating profit of HK\$657 million.

In the Mainland, recognised property sales increased by 35% to HK\$15,426 million (2013: HK\$11,442 million). However, operating profit decreased by 35% to HK\$1,669 million (2013: HK\$2,565 million) with tighter margin.

Hotels

Revenue increased by 5% to HK\$1,600 million (2013: HK\$1,526 million), due to Gateway Hotel after its renovation in 2013. However, operating profit decreased by 4% to HK\$387 million (2013: HK\$404 million), partly due to operating losses from Marco Polo Changzhou since its soft opening in August 2014.

Logistics

Revenue and operating profit increased by 3% and 8% to HK\$3,319 million (2013: HK\$3,226 million) and HK\$1,051 million (2013: HK\$974 million) respectively, mainly due to the increase in throughput handled by Modern Terminals.

Communications, Media and Entertainment (“CME”)

Revenue decreased by 5% to HK\$3,616 million (2013: HK\$3,789 million) but operating profit stabilised at HK\$211 million (2013: HK\$212 million). Wharf T&T’s operating profit increased by 17% to HK\$352 million (2013: HK\$300 million), while i-CABLE’s operating loss widened to HK\$140 million (2013: HK\$88 million).

Investment and Others

Operating profit amounted to HK\$1,039 million (2013: HK\$1,150 million), comprising largely dividend and interest income.

Fair Value Gain of IP

The book value of the Group’s IP portfolio as at 31 December 2014 increased to HK\$316.9 billion (2013: HK\$282.0 billion), with HK\$298.4 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK\$28,087 million (2013: HK\$19,089 million), mainly reflecting the continuous rental growth of the IP portfolio, which was credited to the consolidated income statement.

IP under development of HK\$18.5 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

Other Net (Charge)/Income

Other net charge amounted to HK\$1,758 million (2013: income of HK\$337 million), comprising mainly impairment provision of HK\$1,812 million made by Wharf and HK\$458 million by WPSL for certain DP projects in the Mainland and profit on disposal of a China DP project of HK\$319 million. Included in 2013 were impairment provision of HK\$543 million made by Harbour Centre Development Limited for its Changzhou Marco Polo Hotel project and HK\$681 million by WPSL for The Panorama project, and profit on disposal of available-for-sale investments of HK\$1,094 million.

Finance Costs

Finance costs charged to the consolidated income statement were HK\$2,195 million (2013: HK\$899 million). Excluding the unrealised mark-to-market loss of HK\$264 million (2013: gain of HK\$1,205 million), finance costs were HK\$3,776 million (2013: HK\$3,586 million) before capitalisation of HK\$1,845 million (2013: HK\$1,482 million), and HK\$1,931 million (2013: HK\$2,104 million) after capitalisation. The Group's effective borrowing rate for the year remained at 3.1% (2013: 3.1%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates was HK\$2,203 million (2013: HK\$2,631 million), including the share of negative goodwill on HPL of HK\$707 million (attributable to Wheelock Group is HK\$536 million), which became an associate of WPSL in May 2014, as detailed in note 6 to the financial statements. Excluding the negative goodwill, the share of profits of associates decreased by 43% to HK\$1,496 million, mainly due to lower profit contribution from DP projects in the Mainland.

Share of profits of joint ventures increased by 99% to HK\$918 million (2013: HK\$461 million), mainly due to profit contribution from the Austin joint venture, which was partly offset by lower profit contribution from DP projects in the Mainland.

Income Tax

The taxation charge was HK\$4,015 million (2013: HK\$4,539 million), which included deferred taxation of HK\$543 million (2013: HK\$1,459 million) provided for the fair value gain of IP located in the Mainland.

Excluding the deferred tax, tax charge increased by 13% to HK\$3,472 million (2013: HK\$3,080 million), mainly due to higher profit recognised by the IP segment.

Non-controlling Interests

Profit attributable to non-controlling interests increased by 13% to HK\$16,960 million (2013: HK\$15,064 million), which was mainly attributable to increase in Wharf's profit.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 30% to HK\$22,009 million (2013: HK\$16,954 million). Earnings per share were HK\$10.83 (2013: HK\$8.34).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and non-controlling interests) of HK\$14,974 million (2013: HK\$9,230 million), Group profit attributable to equity shareholders decreased by 9% to HK\$7,035 million (2013: HK\$7,724 million).

Further stripping out the exceptional items, underlying profit increased by 4% to HK\$8,103 million (2013: HK\$7,822 million). Underlying earnings per share were HK\$3.99 (2013: HK\$3.85).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock, WPSL and Wharf.

	2014	2013
	HK\$ Million	HK\$ Million
Profit attributable to Wheelock	2,197	1,303
WPSL group	250	665
Wharf group	5,656	5,854
Underlying profit	8,103	7,822
Attributable negative goodwill on HPL	536	—
Attributable mark-to-market (loss)/gain on swaps	(156)	587
Attributable provision for impairment of properties	(1,448)	(685)
Profit before IP revaluation gain	7,035	7,724
IP revaluation gain (after deferred tax)	14,974	9,230
Profit attributable to equity shareholders	22,009	16,954

WPSL's profit for the year ended 31 December 2014 was S\$43.1 million (2013: S\$40.0 million), according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$272 million (2013: HK\$227 million).

Wharf's profit for the year ended 31 December 2014 increased by 22% to HK\$35,930 million (2013: HK\$29,380 million). Excluding the net IP revaluation gain and exceptional items, Wharf's underlying profit decreased by 7% to HK\$10,474 million (2013: HK\$11,298 million).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by 15% to HK\$191.2 billion (2013: HK\$166.6 billion), or HK\$94.11 per share (2013: HK\$81.99 per share) as at 31 December 2014.

Including the non-controlling interests, the Group's total equity increased by 9% to HK\$339.9 billion (2013: HK\$311.6 billion).

Total Assets

The Group's total assets increased by 6% to HK\$517.6 billion (2013: HK\$486.8 billion). Total business assets, i.e. excluding bank deposits and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 9% to HK\$484.7 billion (2013: HK\$444.8 billion).

The Group's IP portfolio was HK\$316.9 billion, representing 65% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were collectively valued at HK\$211.8 billion, representing 67% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$56.8 billion, including IP under development of HK\$15.5 billion.

Other major business assets included properties under development and held for sale of HK\$88.1 billion, interests in associates and joint ventures (mainly for China DP and port projects) of HK\$45.6 billion and other fixed assets of HK\$25.1 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, amounted to HK\$156.9 billion (2013: HK\$158.0 billion), representing 32% (2013: 36%) of the Group's total business assets.

Debt and Gearing

The Group's net debt increased by HK\$2.3 billion to HK\$96.6 billion (2013: HK\$94.3 billion) as at 31 December 2014, comprising debt of HK\$117.9 billion less bank deposits and cash of HK\$21.3 billion. Excluding WPSL's net debt of HK\$1.4 billion and Wharf's net debt of HK\$59.3 billion, which are non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt was HK\$35.9 billion (2013: HK\$35.1 billion). An analysis of the net debt by group is shown below:

	2014	2013
Net debt	HK\$ Million	HK\$ Million
Wheelock	35,870	35,153
WPSL group	1,470	1,070
Wharf group	59,259	58,072
Group	<u>96,599</u>	<u>94,295</u>

As at 31 December 2014, the ratio of net debt to total equity (on a consolidated basis) reduced to 28.4% (2013: 30.3%). Excluding the net debt of WPSL and Wharf, Wheelock's own net debt to shareholders' equity (on an attributable net asset value basis) reduced to 18.8% (2013: 21.1%).

Finance and Availability of Facilities

As at 31 December 2014, the Group's available loan facilities and issued debt securities amounted to HK\$160.2 billion (2013: HK\$157.4 billion), of which HK\$117.9 billion were drawn. An analysis is shown below:

	Available Facilities HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facilities HK\$ Billion
Wheelock	54.7	36.0	18.7
WPSL group	6.3	3.9	2.4
Wharf group	99.2	78.0	21.2
Group	<u>160.2</u>	<u>117.9</u>	<u>42.3</u>

Of the above debt, HK\$19.2 billion (2013: HK\$24.3 billion) was secured by mortgages over certain DP, IP and fixed assets with a total carrying value of HK\$65.3 billion (2013: HK\$57.9 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's IP, DP and port investments in the Mainland, and DP projects in Singapore and Hong Kong.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and SGD, and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value of HK\$11.4 billion (2013: HK\$13.2 billion) as at 31 December 2014, which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflow before changes in working capital was HK\$16.3 billion (2013: HK\$15.3 billion). The changes in working capital and others of HK\$2.4 billion (2013: HK\$15.5 billion) reduced the net cash inflow from operating activities to HK\$13.9 billion (2013: outflow of HK\$0.2 billion). For investing activities, the Group recorded a net cash outflow of HK\$11.1 billion (2013: HK\$15.2 billion), mainly for construction cost for various IP projects both in Hong Kong and the Mainland, and increase in interest in Wharf which was partly offset by the redemption proceeds of the convertible securities issued by Greentown to Wharf of HK\$2.7 billion (2013: HK\$Nil).

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2014 is analysed as follows:

A. Major capital and development expenditure

	Hong Kong / Singapore HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Wheelock			
IP	467	—	467
DP	7,646	—	7,646
	8,113	—	8,113
WPSL group			
IP	15	—	15
DP	20	139	159
	35	139	174
Wharf group			
IP	970	6,560	7,530
DP	317	16,109	16,426
Hotels / Others	1,169	530	1,699
	2,456	23,199	25,655
Analysis by segment:			
IP	1,452	6,560	8,012
DP	7,983	16,248	24,231
Hotels / Others	1,169	530	1,699
Group total	10,604	23,338	33,942

- i. Wheelock's own expenditure for IP and DP amounted to HK\$8.1 billion, mainly attributable to land cost payment for the Kai Tak and LOHAS Park Phase 5 projects, and construction cost payments for its Hong Kong DP projects.
- ii. WPSL's expenditure of HK\$0.2 billion was mainly for construction cost payments for its China and Singapore DP projects.
- iii. Wharf's expenditure totalled HK\$25.6 billion, comprising expenditure of HK\$7.5 billion for IP (mainly renovation of Harbour City and construction of the IFS projects), HK\$16.4 billion for DP (mainly related to China projects) and HK\$1.7 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE. Wharf's expenditure has excluded the intra-group acquisition of Crawford House from Wheelock during the year.

B. Commitments to capital and development expenditure

As at 31 December 2014, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$83.5 billion, of which HK\$27.7 billion was authorised and contracted for. By segment, the commitments are analysed below:

	As at 31 December 2014		Total HK\$ Million
	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	
Wheelock			
IP	130	—	130
DP	4,200	15,159	19,359
	4,330	15,159	19,489
WPSL group			
IP	6	—	6
DP	1,302	2,104	3,406
	1,308	2,104	3,412
Wharf group			
IP	7,819	10,920	18,739
DP	13,643	25,325	38,968
Hotels / Others	561	2,375	2,936
	22,023	38,620	60,643
Analysis by segment:			
IP	7,955	10,920	18,875
DP	19,145	42,588	61,733
Hotels / Others	561	2,375	2,936
Group total	27,661	55,883	83,544
Analysis by geographical location:			
Hong Kong	7,051	16,170	23,221
Mainland China	18,921	37,113	56,034
Singapore	1,128	225	1,353
Properties total	27,100	53,508	80,608
Hotels / Others	561	2,375	2,936
Group total	27,661	55,883	83,544

- i. Wheelock's own commitments of HK\$19.5 billion are mainly related to construction costs for DP in Hong Kong.
- ii. WPSL's commitments of HK\$3.4 billion are mainly related to construction costs of HK\$1.4 billion for DP in Singapore and of HK\$2.0 billion in the Mainland.
- iii. Wharf's commitments of HK\$60.6 billion mainly comprised expenditure of HK\$18.7 billion for IP, HK\$39.0 billion land and construction costs for DP and HK\$2.9 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.
- iv. The above commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flow from operations as well as bank and other financings with construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include financial investments.

(III) Human Resources

The Group had approximately 16,600 employees as at 31 December 2014, including about 2,600 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Revenue	2	40,953	35,071
Direct costs and operating expenses		(20,555)	(15,450)
Selling and marketing expenses		(1,541)	(1,430)
Administrative and corporate expenses		(1,600)	(1,801)
Operating profit before depreciation, amortisation, interest and tax		17,257	16,390
Depreciation and amortisation	3	(1,528)	(1,452)
Operating profit	2 & 3	15,729	14,938
Increase in fair value of investment properties		28,087	19,089
Other net (charge)/income	4	(1,758)	337
		42,058	34,364
Finance costs	5	(2,195)	(899)
Share of results after tax of :			
Associates	6	2,203	2,631
Joint ventures		918	461
Profit before taxation		42,984	36,557
Income tax	7	(4,015)	(4,539)
Profit for the year		38,969	32,018
Profit attributable to:			
Equity shareholders		22,009	16,954
Non-controlling interests		16,960	15,064
		38,969	32,018
Earnings per share	8		
Basic		HK\$10.83	HK\$8.34
Diluted		HK\$10.83	HK\$8.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	2014	2013
	HK\$ Million	HK\$ Million
Profit for the year	38,969	32,018
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain on translation of foreign operations	(1,126)	2,111
Net revaluation of available-for-sale investments:	1,558	(2,349)
Surplus/(deficit) on revaluation	1,460	(1,427)
Transferred to consolidated income statement on disposal	98	(922)
Share of other comprehensive income of associates/joint ventures	(288)	697
Others	9	31
Other comprehensive income for the year	153	490
Total comprehensive income for the year	39,122	32,508
Total comprehensive income attributable to:		
Equity shareholders	22,484	16,458
Non-controlling interests	16,638	16,050
	39,122	32,508

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Non-current assets			
Investment properties		316,860	282,015
Fixed assets		25,052	24,180
Interest in associates		25,648	19,003
Interest in joint ventures		19,911	21,603
Available-for-sale investments		11,390	13,246
Convertible securities		—	2,824
Goodwill and other intangible assets		305	297
Programming library		168	137
Deferred tax assets		673	730
Derivative financial assets		1,041	176
Other non-current assets		44	42
		401,092	364,253
Current assets			
Properties for sale		88,148	87,178
Inventories		48	47
Trade and other receivables	10	6,713	5,645
Derivative financial assets		287	346
Bank deposits and cash		21,279	29,345
		116,475	122,561
Current liabilities			
Trade and other payables	11	(26,231)	(21,721)
Deposits from sale of properties		(18,508)	(16,379)
Derivative financial liabilities		(1,124)	(283)
Taxation payable		(1,658)	(1,898)
Bank loans and other borrowings		(10,744)	(11,964)
		(58,265)	(52,245)
Net current assets		58,210	70,316
Total assets less current liabilities		459,302	434,569

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Non-current liabilities			
Derivative financial liabilities		(1,408)	(1,292)
Deferred tax liabilities		(10,529)	(9,726)
Other deferred liabilities		(315)	(303)
Bank loans and other borrowings		<u>(107,134)</u>	<u>(111,676)</u>
		<u>(119,386)</u>	<u>(122,997)</u>
NET ASSETS		<u>339,916</u>	<u>311,572</u>
 Capital and reserves			
Share capital: Nominal value		—	1,016
Other statutory capital reserves		—	<u>1,933</u>
Share capital and other statutory capital reserves	12	<u>2,949</u>	2,949
Reserves		<u>188,257</u>	<u>163,633</u>
Shareholders' equity		191,206	166,582
Non-controlling interests		148,710	144,990
TOTAL EQUITY		<u>339,916</u>	<u>311,572</u>

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's financial statements for the year ended 31 December 2014.

The 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. The 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 Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the new Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The 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 for the changes mentioned below.

The HKICPA has issued certain amendments to HKASs and new interpretations that are first effective for the current accounting period of the Group.

With effect from 1 January 2014, the Group has adopted the below amendments to HKASs, which are relevant to the Group's financial statements:

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 continuation 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 or cash generating units whose recoverable amount is based on fair value less costs of disposal. The amendments do not have a 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 do not have a significant impact on the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels, logistics and communications and media and entertainment (“CME”). No operating segments have been aggregated to form the following reportable segments.

Investment property segment primarily includes property leasing operations. Currently, the Group’s properties portfolio, which mainly consists of retail, office and serviced apartments, is primarily located in Hong Kong, Mainland China and Singapore.

Development property segment encompasses activities relating to the acquisition, development, design, construction, sale and marketing of the Group’s trading properties, which are primarily in Hong Kong, Mainland China and Singapore.

Hotels segment includes hotel operations in the Asia Pacific region. Currently, The Wharf (Holdings) Limited (“Wharf”) operates 14 Marco Polo hotels in the Asia Pacific region, five of which are owned by Wharf.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited, Hong Kong Air Cargo Terminals Limited and other public transport operations.

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited (“i-CABLE”) and the telecommunication businesses operated by Wharf T&T Limited.

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and joint ventures of each segment. Inter-segment pricing is generally determined on an arm’s length basis.

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, certain available-for-sale investments, deferred tax assets and derivative financial 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/ (decrease) in fair value of investment properties HK\$ Million	Other net (charge)/ income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the year ended								
31 December 2014								
Investment property	14,198	11,503	28,087	69	(1,381)	-	-	38,278
Hong Kong	11,780	10,208	27,973	18	(1,347)	-	-	36,852
Mainland China	1,984	991	429	51	(34)	-	-	1,437
Singapore	434	304	(315)	-	-	-	-	(11)
Development property	17,198	2,367	-	(1,917)	(101)	1,100	865	2,314
Hong Kong	1,669	718	-	-	-	2	906	1,626
Mainland China	15,426	1,669	-	(1,917)	(100)	1,098	(41)	709
Singapore	103	(20)	-	-	(1)	-	-	(21)
Hotels	1,600	387	-	-	(6)	-	-	381
Logistics	3,319	1,051	-	(61)	(246)	332	53	1,129
Terminals	3,206	1,034	-	(20)	(246)	234	53	1,055
Others	113	17	-	(41)	-	98	-	74
CME	3,616	211	-	1	(37)	-	-	175
i-CABLE	1,666	(140)	-	1	-	-	-	(139)
Telecommunications	1,950	352	-	-	(37)	-	-	315
Others	-	(1)	-	-	-	-	-	(1)
Inter-segment revenue	(469)	-	-	-	-	-	-	-
Segment total	39,462	15,519	28,087	(1,908)	(1,771)	1,432	918	42,277
Investment and others	1,491	1,039	-	150	(424)	771	-	1,536
Corporate expenses	-	(829)	-	-	-	-	-	(829)
Group total	40,953	15,729	28,087	(1,758)	(2,195)	2,203	918	42,984
For the year ended								
31 December 2013								
Investment property	11,949	9,891	19,089	-	(1,293)	-	-	27,687
Hong Kong	10,250	8,813	15,995	-	(1,190)	-	-	23,618
Mainland China	1,261	761	3,064	-	(103)	-	-	3,722
Singapore	438	317	30	-	-	-	-	347
Development property	13,430	3,341	-	(511)	(143)	2,305	414	5,406
Hong Kong	1,972	790	-	-	-	-	(52)	738
Mainland China	11,442	2,565	-	170	(143)	2,305	466	5,363
Singapore	16	(14)	-	(681)	-	-	-	(695)
Hotels	1,526	404	-	(543)	(16)	-	-	(155)
Logistics	3,226	974	-	116	(160)	326	47	1,303
Terminals	3,106	944	-	157	(160)	199	47	1,187
Others	120	30	-	(41)	-	127	-	116
CME	3,789	212	-	(42)	(42)	-	-	128
i-CABLE	1,932	(88)	-	1	(3)	-	-	(90)
Telecommunications	1,857	300	-	(43)	(39)	-	-	218
Inter-segment revenue	(453)	-	-	-	-	-	-	-
Segment total	33,467	14,822	19,089	(980)	(1,654)	2,631	461	34,369
Investment and others	1,604	1,150	-	1,317	755	-	-	3,222
Corporate expenses	-	(1,034)	-	-	-	-	-	(1,034)
Group total	35,071	14,938	19,089	337	(899)	2,631	461	36,557

(b) Analysis of inter-segment revenue

	2014			2013		
	Total revenue	Inter-segment revenue	Group revenue	Total revenue	Inter-segment revenue	Group revenue
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Investment property	14,198	(185)	14,013	11,949	(182)	11,767
Development property	17,198	-	17,198	13,430	-	13,430
Hotels	1,600	-	1,600	1,526	-	1,526
Logistics	3,319	-	3,319	3,226	-	3,226
CME	3,616	(94)	3,522	3,789	(105)	3,684
Investment and others	1,491	(190)	1,301	1,604	(166)	1,438
	41,422	(469)	40,953	35,524	(453)	35,071

(c) Analysis of segment business assets

	2014	2013
	HK\$ Million	HK\$ Million
Investment property	318,516	283,427
Hong Kong	254,098	224,746
Mainland China	57,493	51,137
Singapore	6,925	7,544
Development property	134,668	130,779
Hong Kong	41,425	32,563
Mainland China	84,572	92,848
Singapore	8,671	5,368
Hotels	7,208	6,189
Logistics	20,197	20,260
Terminals	19,148	19,138
Others	1,049	1,122
CME	4,088	4,120
i-CABLE	1,284	1,295
Telecommunications	2,804	2,825
Total segment business assets	484,677	444,775
Unallocated corporate assets	32,890	42,039
Total assets	517,567	486,814

Unallocated corporate assets mainly comprise certain available-for-sale investments, deferred tax assets, bank deposits and cash and derivative financial assets.

Segment assets held through associates and joint ventures included in the above are:

	2014	2013
	HK\$ Million	HK\$ Million
Development property	40,267	35,325
Logistics	5,292	5,281
Group total	45,559	40,606

(d) Other information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2014 HK\$ Million	2013 HK\$ Million	2014 HK\$ Million	2013 HK\$ Million	2014 HK\$ Million	2013 HK\$ Million
Investment property	8,012	11,461	-	-	104	122
Hong Kong	1,438	2,787	-	-	27	73
Mainland China	6,559	8,669	-	-	75	47
Singapore	15	5	-	-	2	2
Development property	-	-	4,644	3,586	-	-
Hong Kong	-	-	201	1,148	-	-
Mainland China	-	-	4,443	2,438	-	-
Hotels	759	4,868	-	-	204	132
Logistics	403	309	2	3	469	462
Terminals	402	309	2	3	466	458
Others	1	-	-	-	3	4
CME	504	533	-	-	751	736
i-CABLE	188	150	-	-	348	331
Telecommunications	316	383	-	-	403	405
Group total	9,678	17,171	4,646	3,589	1,528	1,452

In addition, the CME segment incurred HK\$152 million (2013: HK\$122 million) for its programming library. The Group has no significant non-cash expenses other than (i) the provision for impairment of HK\$2,270 million for development property projects undertaken by the Group's subsidiaries in Mainland China (2013: HK\$681 million for The Panorama and HK\$543 million for the Changzhou Marco Polo Hotel), and (ii) depreciation and amortisation.

(e) Geographical information

	Revenue		Operating profit	
	2014 HK\$ Million	2013 HK\$ Million	2014 HK\$ Million	2013 HK\$ Million
Hong Kong	21,386	20,290	12,728	11,208
Mainland China	18,977	14,229	2,701	3,362
Singapore	590	552	300	368
Group total	40,953	35,071	15,729	14,938

	Specified non-current assets		Total business assets	
	2014 HK\$ Million	2013 HK\$ Million	2014 HK\$ Million	2013 HK\$ Million
Hong Kong	273,492	245,190	312,144	273,875
Mainland China	106,406	99,660	156,938	157,988
Singapore	10,143	7,531	15,595	12,912
Group total	390,041	352,381	484,677	444,775

Specified non-current assets exclude deferred tax assets, certain available-for-sale investments, derivative financial assets and certain non-current assets.

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

3. OPERATING PROFIT

	2014	2013
	HK\$ Million	HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	169	155
– other fixed assets	1,164	1,117
– leasehold land	74	86
– programming library	121	94
Total depreciation and amortisation	1,528	1,452
Staff costs (Note a)	4,141	3,816
Auditors' remuneration		
– audit services	30	30
– other services	4	4
Cost of trading properties for recognised sales	14,174	9,498
Rental charges under operating leases in respect of telecommunications equipment and services	63	57
Impairment of trade receivables	18	17
Rental income less direct outgoings (Note b)	(11,620)	(9,993)
Rental income under operating leases in respect of owned plant and equipment	(9)	(11)
Interest income (Note c)	(733)	(853)
Dividend income from listed investments	(352)	(404)
Loss on disposal of fixed assets	4	16

Notes:

- (a) Staff costs included contributions to defined contribution pension schemes of HK\$290 million (2013: HK\$256 million), which included MPF schemes (after a forfeiture of HK\$2 million (2013: HK\$3 million)) and equity settled share-based payment expenses of HK\$122 million (2013: HK\$170 million).
- (b) Rental income included contingent rentals of HK\$2,039 million (2013: HK\$2,070 million).
- (c) Included in interest income are amounts totalling HK\$622 million (2013: HK\$537 million) in respect of financial assets, which mainly comprise bank deposits that are stated at amortised cost.

4. OTHER NET (CHARGE)/INCOME

Other net charge for the year amounted to HK\$1,758 million (2013: income of HK\$337 million) and mainly comprised:

- (a) Provision for impairment of HK\$1,812 million was made by Wharf and HK\$458 million by Wheelock Properties (Singapore) Limited (“WPSL”) for development property projects in Mainland China (2013: HK\$543 million made by Harbour Centre Development Limited for its Changzhou Marco Polo Hotel and HK\$681 million by WPSL for The Panorama).
- (b) Profit on disposal of a development property project in Mainland China of HK\$319 million (2013: HK\$Nil).
- (c) Net foreign exchange gain of HK\$160 million (2013: HK\$335 million) which included a fair value loss on forward foreign exchange contracts of HK\$198 million (2013: gain of HK\$150 million).
- (d) Net profit on disposal of available-for-sale investments of HK\$43 million (2013: HK\$1,094 million) which included a revaluation deficit, before deduction of non-controlling interests, of HK\$98 million (2013: surplus of HK\$922 million) transferred from the investments revaluation reserves.

5. FINANCE COSTS

	2014 HK\$ Million	2013 HK\$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	1,077	1,255
– repayable after five years	274	157
Other borrowings		
– repayable within five years	1,392	1,252
– repayable after five years	477	504
Total interest charge	<u>3,220</u>	<u>3,168</u>
Other finance costs	556	418
Less: Amount capitalised	<u>(1,845)</u>	<u>(1,482)</u>
	<u>1,931</u>	<u>2,104</u>
Fair value loss/(gain):		
Cross currency interest rate swaps	131	(470)
Interest rate swaps	<u>133</u>	<u>(735)</u>
	<u>264</u>	<u>(1,205)</u>
Total	<u><u>2,195</u></u>	<u><u>899</u></u>

6. SHARE OF RESULTS AFTER TAX OF ASSOCIATES

WPSL formed an associate, 68 Holdings Pte. Ltd. (“68 Holdings”) (40% held by WPSL) to undertake a mandatory general offer for all the interests in Hotel Properties Limited (“HPL”). On 30 May 2014, the offer became unconditional. The mandatory general offer was closed on 26 June 2014 and HPL became a 56.5% subsidiary of 68 Holdings.

As a result, WPSL's shareholdings in HPL, which were previously recorded as available-for-sale investments, were reclassified as an interest in an associate, based on the market price of HPL's shares on 30 May 2014. Accordingly, WPSL transferred HK\$1,871 million accumulated in the fair value reserve, relating to HPL shares held as available-for-sale investments, to revenue reserves. The amount attributable to the Group is HK\$1,214 million.

WPSL performed a provisional purchase price allocation exercise for its acquisition of 68 Holdings. The share of net assets of 68 Holdings was based on the fair values of the identifiable assets and liabilities of HPL as at 30 May 2014. Accordingly, WPSL recorded negative goodwill of HK\$707 million which is included in the share of results after tax of associates.

7. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2014 HK\$ Million	2013 HK\$ Million
Current income tax		
Hong Kong		
– provision for the year	1,712	1,436
– overprovision in respect of prior years	(56)	(102)
Outside Hong Kong		
– provision for the year	946	1,033
– underprovision in respect of prior years	14	12
	<u>2,616</u>	<u>2,379</u>
Land appreciation tax (“LAT”) in Mainland China (Note c)	<u>515</u>	618
Deferred tax		
Change in fair value of investment properties	543	1,459
Origination and reversal of temporary differences	397	47
Benefit of previously unrecognised tax losses now (recognised)/utilised	(56)	36
	<u>884</u>	<u>1,542</u>
Total	<u>4,015</u>	<u>4,539</u>

- (a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2013: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2013: 25%), China withholding income tax at a rate of up to 10% (2013: 10%) and Singapore income tax at a rate of 17% (2013: 17%).
- (c) 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 on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditure.
- (d) Tax attributable to associates and joint ventures for the year ended 31 December 2014 of HK\$1,655 million (2013: HK\$1,921 million) is included in the share of results after tax of associates and joint ventures.

8. EARNINGS PER SHARE

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

(a) Earnings for the purpose of basic and diluted earnings per share

	2014 HK\$ Million	2013 HK\$ Million
Profit attributable to equity shareholders	<u>22,009</u>	<u>16,954</u>

(b) Weighted average number of ordinary shares

	2014 No. of shares	2013 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,031,849,287	2,031,849,287
Effect of dilutive potential shares - Share options	—	124,678
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,031,849,287</u>	<u>2,031,973,965</u>

9. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2014 HK\$ per share	2013 HK\$ per share	2014 HK\$ Million	2013 HK\$ Million
First interim dividend declared and paid	0.3850	0.3500	782	711
Second interim dividend declared after the end of the reporting period	<u>0.6825</u>	<u>0.6500</u>	<u>1,387</u>	<u>1,321</u>
	<u>1.0675</u>	<u>1.0000</u>	<u>2,169</u>	<u>2,032</u>

(a) The second interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK\$1,321 million for 2013 was approved and paid in 2014.

10. TRADE AND OTHER RECEIVABLES

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

	2014	2013
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	783	872
31 - 60 days	169	168
61 - 90 days	74	141
Over 90 days	81	85
	1,107	1,266
Accrued sales receivables	16	3
Other receivables and prepayments	5,590	4,376
	6,713	5,645

Accrued sales receivables mainly represent consideration for property sales to be billed or received after the end of the reporting period. In accordance with the Group's accounting policy, upon receipt of the occupation permit or architect's completion certificate, the balance of the sales consideration to be billed is included as accrued sales receivables.

The Group has established credit policies for each of its core businesses. 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. All the receivables are expected to be recoverable within one year.

11. TRADE AND OTHER PAYABLES

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

	2014	2013
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	425	366
31 - 60 days	244	216
61 - 90 days	48	51
Over 90 days	127	209
	844	842
Rental and customer deposits	3,721	3,267
Construction costs payable	11,085	8,483
Amounts due to associates	2,781	3,241
Amounts due to joint ventures	2,299	1,030
Other payables	5,501	4,858
	26,231	21,721

12. SHARE CAPITAL AND OTHER STATUTORY CAPITAL RESERVES

(a) Share capital

	2014	2013	2014	2013
	No. of shares	No. of shares	HK\$ Million	HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	2,031,849,287	2,031,849,287	1,016	1,016
Transition to no-par value regime on 3 March 2014	—	—	1,933	—
At 31 December	<u>2,031,849,287</u>	<u>2,031,849,287</u>	<u>2,949</u>	<u>1,016</u>

As at 31 December 2013, 2,800 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\$1,016 million, and the amount of HK\$1,933 million standing to the credit of the share premium account and the capital redemption reserve 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 shareholders. 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 and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively 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 and the capital redemption reserve have become part of the Company’s share capital (see note 12a). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year’s presentation.

14. REVIEW OF FINANCIAL STATEMENTS

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 set out in the Corporate Governance Code 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 the exception of two deviations, namely, (i) Code Provision A.2.1 (the “First Deviation”) providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, the relevant arrangement 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 half of them being Independent Non-executive Directors. As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOOK CLOSURE

The Register of Members of the Company will be closed from Wednesday, 13 May 2015 to Tuesday, 19 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 19 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, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 12 May 2015.

By Order of the Board

Wilson W. S. Chan

Company Secretary

Hong Kong, 17 March 2015

As at the date of this Announcement, the Board of Directors of the Company comprises Mr. Douglas C. K. Woo, Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Stewart C. K. Leung and Mr. Paul Y. C. Tsui, together with two Non-executive Directors, namely, Mrs. Mignonne Cheng and Mr. Ricky K. Y. Wong, and seven Independent Non-executive Directors, namely, Mr. Tak Hay Chau, Mr. Winston K. W. Leong, Mr. Alan H. Smith, Mr. Richard Y. S. Tang, Mr. Kenneth W. S. Ting, Ms. Nancy S. L. Tse and Mr. Glenn S. Yee.