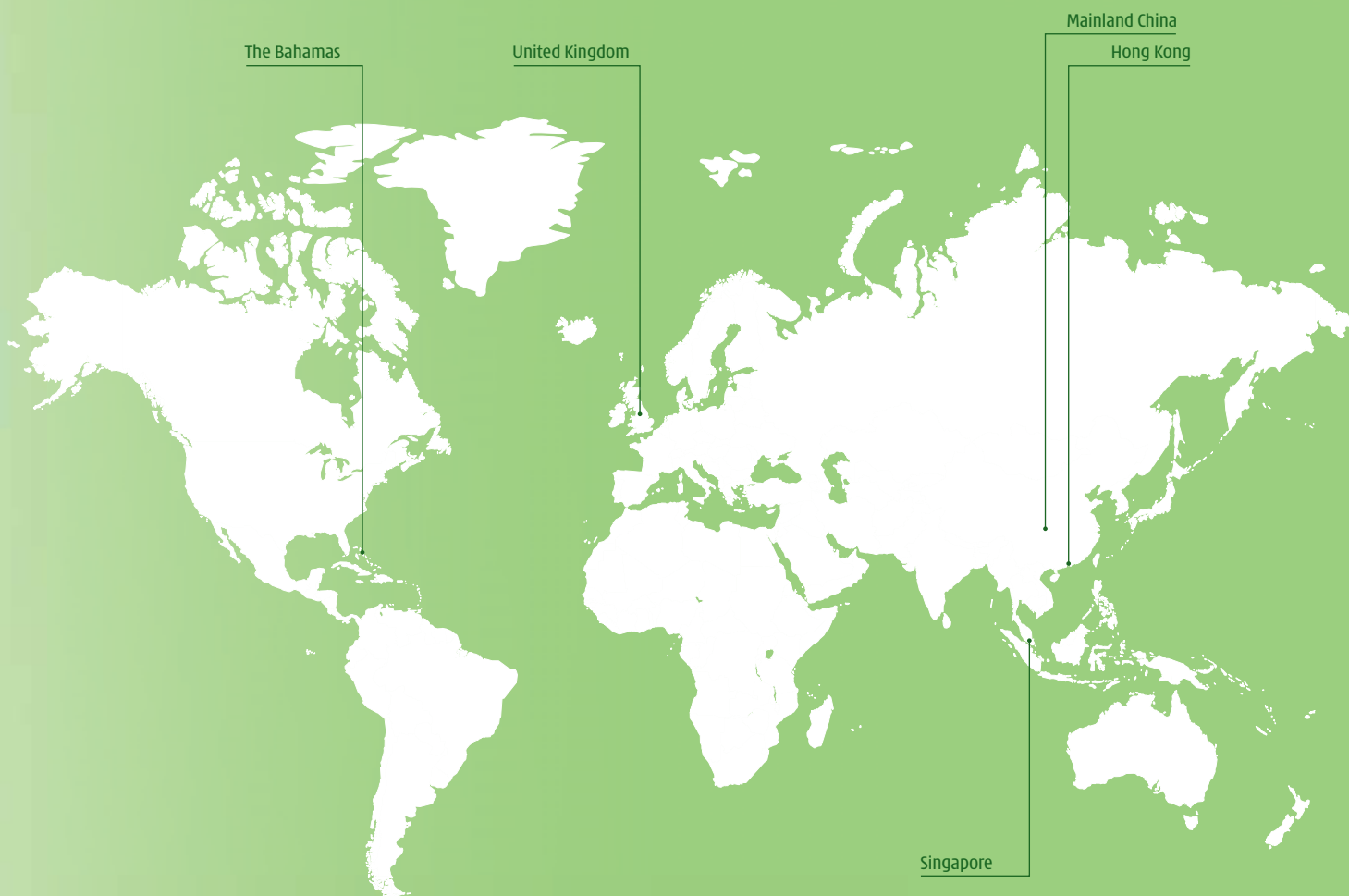


Property and Hotels



The Property and Hotels division has 11.8 million square feet of rental properties in Hong Kong.



- Total revenue decreased 34% to HK\$16,069 million.
- EBITDA decreased 29% to HK\$9,998 million.
- EBIT decreased 29% to HK\$9,661 million.





3

1. Harbour Plaza Metropolis is conveniently located near the MTR Hung Hom Station, and is just minutes away from Kowloon's renowned Tsim Sha Tsui shopping districts.
2. Guangzhou Cape Coral Phases 3 and 4 enjoy an impressive environment and spectacular views of the Pearl River.
3. "Xin Jie Li" showcasing the cherished heritage of Qingdao will soon be developed into a European-style shopping precinct offering unmatched shopping and leisure experience.
4. Designed by the world renowned architect Foster and Partners, Albion Riverside is a landmark building on the banks of River Thames, London.
5. Dongguan Laguna Summit, Phase D of Laguna Verona, which offers a luxurious living experience and remarkable environment, is a grand masterpiece in Southern China.
6. Nestled beside the Victoria Harbour, Harbour Grand Kowloon offers luxurious accommodation and diverse dining options, complete with first-class meeting and business facilities.



Operations Review – Property and Hotels

The Group's property and hotels division includes an investment property portfolio of office, commercial, industrial and residential premises, mainly residential property development in the Mainland and overseas, and interests in 11 premium quality hotels.

Group Performance

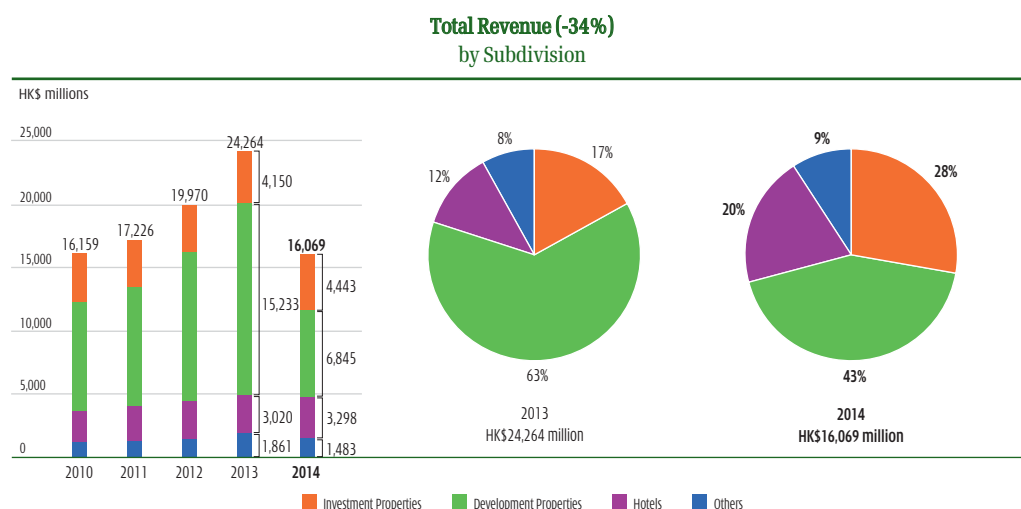
The division's attributable interest in the investment property portfolio consists of 11.8 million square feet of rental properties located in Hong Kong and 1.5 million square feet in the Mainland and overseas. The division also holds interests in joint ventures for the development of high quality, mainly residential projects with an attributable interest in a landbank of approximately 78 million developable square feet, primarily in the Mainland. In addition, the Group's portfolio of 11 premium quality hotels with over 8,500 rooms, in which the Group's average effective interest is approximately 63% based on room numbers.

	2014 HK\$ millions	2013 HK\$ millions	Change	Change in Local Currency
Total Revenue	16,069	24,264	-34%	-33%
EBITDA	9,998	13,995	-29%	-28%
EBIT	9,661	13,659	-29%	-29%

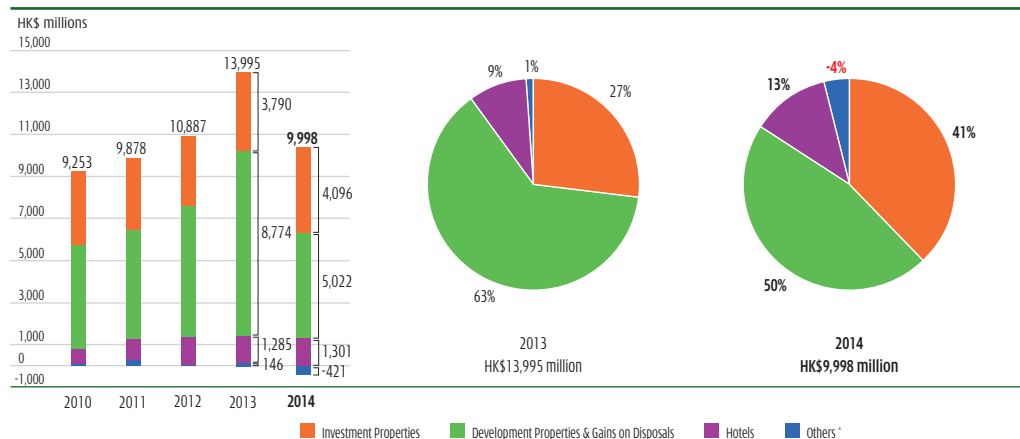
This division contributed 4%, 10% and 15% respectively of the Group's total revenue, EBITDA and EBIT.

The division's reduced performance in 2014 was primarily due to lower development sales in the Mainland, partly offset by stable growth in both investment properties and the hotels operations.

The Group recorded an increase in fair value of its investment properties, after tax and non-controlling interests, of HK\$25,100 million in 2014 (2013: HK\$32 million).



EBITDA⁽¹⁾ (-29%) by Subdivision



* Others includes net service income, corporate overheads, impact of foreign exchange rate movements and others.

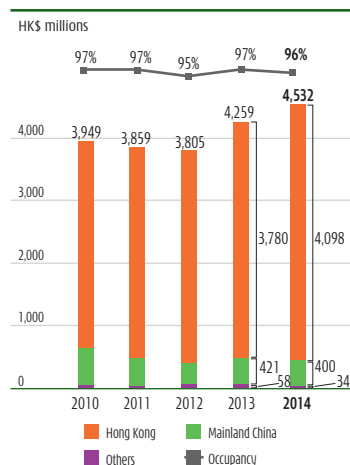
Note 1: 2010 to 2012 comparatives have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

Segment Performance

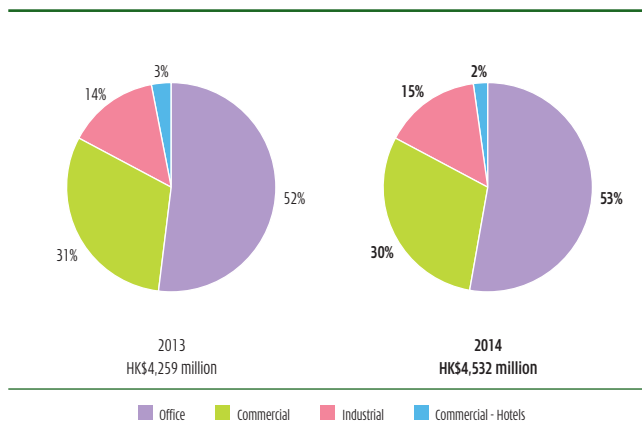
Investment Properties

Gross rental income, including the share of rental income from the commercial premises in our hotels, increased 6% compared with last year, mainly due to higher rental renewal rates. The Group's attributable interest in the rental properties portfolio of approximately 13.3 million square feet comprise office (27%), commercial (26%), industrial (46%) and residential (1%) rental properties. The Group's investment properties overall generated a 6.1% yield on their carrying value of approximately HK\$73,600 million.

Total Gross Rental Income by Geographical Location and Occupancy



Gross Rental Income by Property Type



Hong Kong

The Group's attributable interest in the rental properties in Hong Kong total approximately 11.8 million square feet (2013: 11.8 million square feet) including properties held by associates and joint ventures. Gross rental income of HK\$4,098 million (2013: HK\$3,780 million) represents an 8% growth compared with last year and reflects higher lease renewal rates. All of the Group's Hong Kong rental properties are substantially let.

Investment Properties (continued)

The Mainland and Overseas

The Group's various joint ventures in the Mainland and overseas hold investment properties totalling 3.5 million square feet, of which the Group's share is 1.5 million square feet (2013: 2.2 million square feet). The Group's share of gross rental income from these properties was HK\$434 million (2013: HK\$479 million), 9% lower than last year, mainly due to the disposal of Guangzhou Metropolitan Plaza in 2013.

Development Properties and Gains on Property Disposals

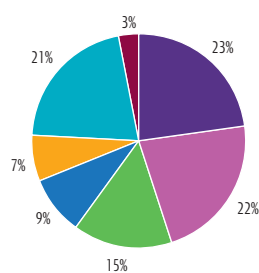
Development profits and gains on disposal of properties contributed HK\$5,022 million to the Group's EBITDA in 2014 (2013: HK\$8,774 million). With the aggressive discounting in various Mainland cities, the division has reported slower sales volume. However, average selling prices of the division have maintained at a level which ensured delivery of a healthy margin from its premium properties.

The division completed residential and commercial properties with an attributable gross floor area of approximately 4.9 million square feet and recognised sales on an attributable share of gross floor area amounting to 3.4 million square feet in 2014, representing decreases of 45% and 56% respectively compared to 2013. The corresponding revenue from recognised sales, including the Group's attributable share of revenue from associated companies and joint ventures, decreased by 55% to HK\$6,845 million in 2014 due to reasons mentioned above.

The Group's current attributable landbank is approximately 78 million square feet, of which 97% is in the Mainland (at an average land cost of RMB238 per square foot or approximately HK\$298 per square foot) and 3% in the UK and Singapore. This landbank comprises 38 projects in 21 cities and is planned to be developed in a phased manner over several years.

The Group also recognised gains on the disposal of its interest in certain properties held as long term investment in Hong Kong and its interest in the Shanghai Oriental Financial Center.

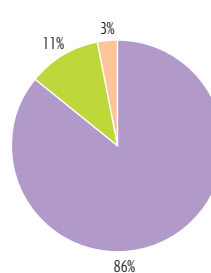
Gross Floor Area of Development Projects by Geographical Location



Total: 78 million square feet



Gross Floor Area of Development Projects by Property Type



Total: 78 million square feet



The Mainland

Of the Group's attributable share of approximately 4.9 million square feet of development completed in 2014, approximately 4.7 million square feet were completed in the Mainland. In light of the weak property market, the Group has strategically timed both completion and new sales launches for certain projects pending an improvement in market sentiment.

The Group's share of recognised sales of residential and commercial development properties, net of business tax, decreased 60% to HK\$5,602 million, and the corresponding development profits contributed HK\$1,503 million to the Group's EBITDA during the year, 71% lower than 2013.

The average selling price of residential properties relating to recognised sales was HK\$1,715 per square foot (2013: HK\$1,636 per square foot). The Group's average land cost relating to the recognised sales of residential properties in 2014 was approximately HK\$281 per square foot (2013: HK\$227 per square foot). The Group's average construction cost and average professional, marketing, funding and other costs amounted to approximately HK\$529 per square foot and HK\$412 per square foot respectively (2013: HK\$533 per square foot and HK\$311 per square foot respectively).

	2014	2013	Change
Total Attributable Sales Value (HK\$ millions)			
Recognised Sales *	5,602	14,172	-60%
- of which relates to residential property	4,991	10,830	-54%
ASP ^ of residential property (HK\$/sq ft)	1,715	1,636	+5%
Contracted Sales*	6,988	14,149	-51%
- of which relates to residential property	5,980	11,122	-46%
ASP^ of residential property (HK\$/sq ft)	1,759	1,861	-5%
Total Attributable Sales in GFA ('000 sq ft)			
Presold Property b/f	1,558	2,321	
Recognised Sales in GFA	3,228	7,748	-58%
- of which relates to residential property (2014: 4,150 units; 2013: 9,885 units)	3,085	7,041	-56%
Contracted Sales in GFA	3,893	6,985	-44%
- of which relates to residential property (2014: 4,835 units; 2013: 8,819 units)	3,602	6,354	-43%
Presold Property c/f #	2,223	1,558	

* Net of business tax

^ Average selling price ("ASP") is stated inclusive of business tax.

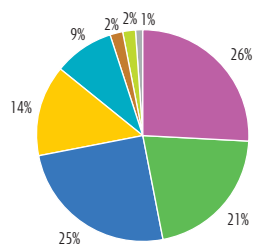
Presold property value (net of business tax) of HK\$4,415 million and HK\$3,028 million at the end of 2014 and 2013 respectively.

Development Properties and Gains on Property Disposals (continued)

Residential Property Sales

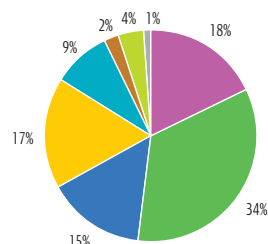
By Geographical Location

Recognised Sales



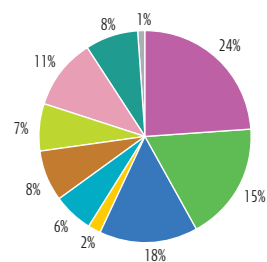
2014: HK\$4,991 million (-54%)

Recognised Sales GFA



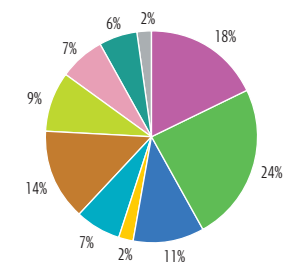
2014: 3.1 million square feet (-56%)

Contracted Sales



2014: HK\$5,980 million (-46%)

Contracted Sales GFA



2014: 3.6 million square feet (-43%)

Guangdong Province Chengdu Shanghai Changzhou Qingdao Chongqing Xian Nanjing Wuhan Others

Hotels

The Group has interests in 11 hotels in Hong Kong, the Mainland and the Bahamas, of which eight are managed through its 50% owned hotel management joint venture. In 2014, the hotel operations recorded total revenue of HK\$3,298 million, or a 9% increase when compared to last year. EBITDA and EBIT, including the results of hotel commercial properties, increased by 1% and 2% to HK\$1,301 million and HK\$1,061 million respectively, when compared to last year. The increases are mainly due to improved operation result in the Bahamas, partly offset by adverse performance of the Mainland hotels.

The Group's attributable share of gross floor area of 1.9 million square feet in the eight hotels in Hong Kong, generated an average attributable hotel operating profit ("HOP") ⁽²⁾ of HK\$36 per square foot per month (ranging from HK\$12 per square foot per month to HK\$71 per square foot per month), and a 20.1% EBIT yield on its attributable carrying value of these hotels of approximately HK\$3,581 million. Total average hotel rooms occupancy rate is 94% in Hong Kong.

Note 2: HOP represents EBITDA after depreciation of furniture, fixtures and equipment.

Average Actual Room Inventory by Geographical Location and Occupancy Rate

