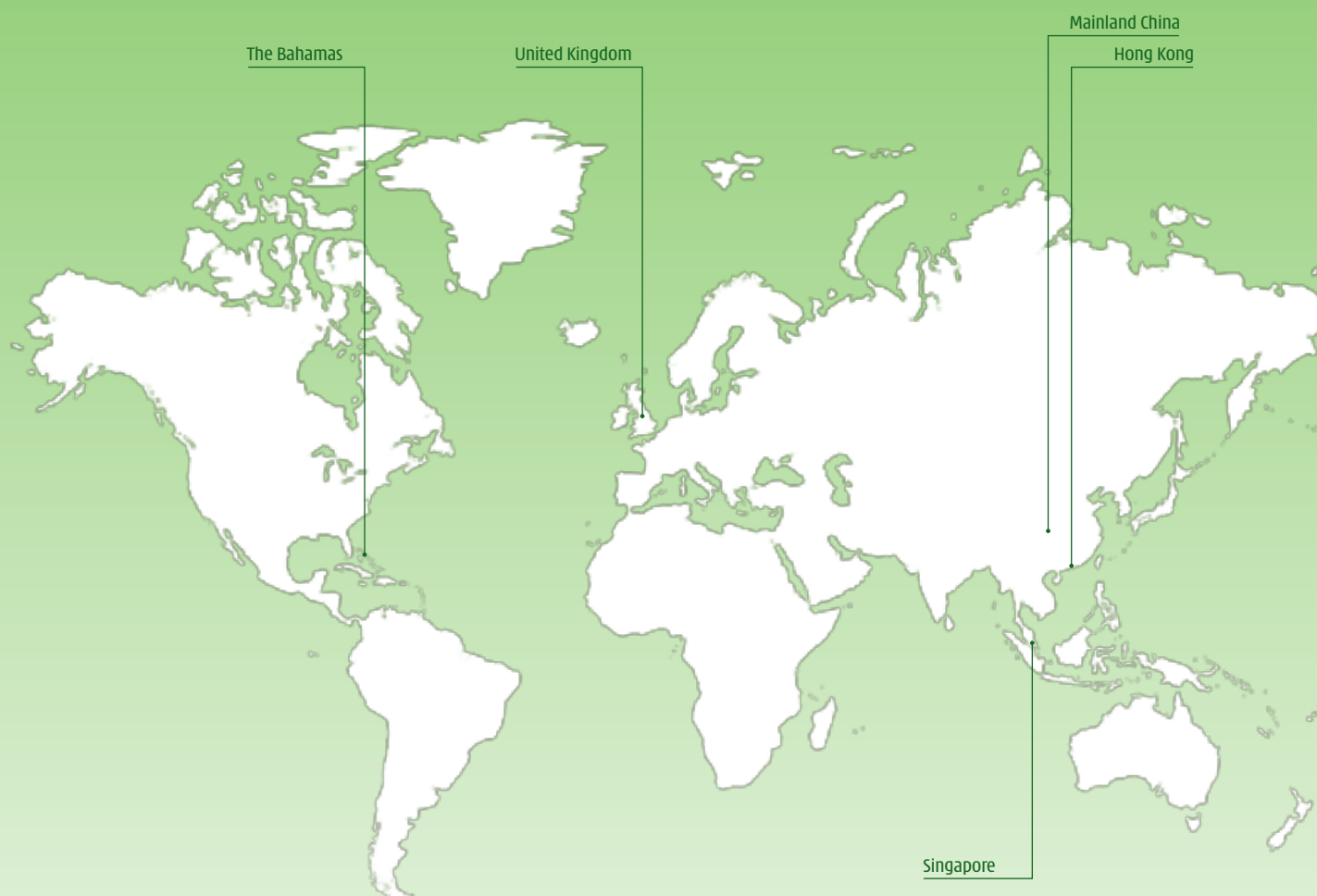


# Property and Hotels



Zhengcheng Noble Hills' flourishing greenery and impressive environment are widely acclaimed.



- Total revenue increased 22% to HK\$24,264 million.
- EBITDA increased 29% to HK\$13,995 million.
- EBIT increased 30% to HK\$13,659 million.
- The division contributed 6%, 15% and 21% respectively to the total revenue, EBITDA and EBIT of the Group's businesses.



## Operations Review – Property and Hotels

1. Dongguan Laguna Verona Phase D – Laguna Summit – with magnificent architecture and an impressive environment, is a masterpiece in Southern China.
2. Redevelopment of luxury houses on Barker Road has been completed during 2013.





3. & 4. Managed by Harbour Plaza Hotels and Resorts, Harbour Grand Hong Kong and Harbour Plaza North Point offer the finest hospitality to business and leisure travellers.

5. Strategically situated in Futian commercial district, Shenzhen, China, the three-in-one design of Century Place comprises a Grade A office tower, luxury apartments and a prime shopping arcade.





## Operations Review – Property and Hotels

The Group's property and hotels division includes an investment property portfolio of approximately 14.0 million square feet 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

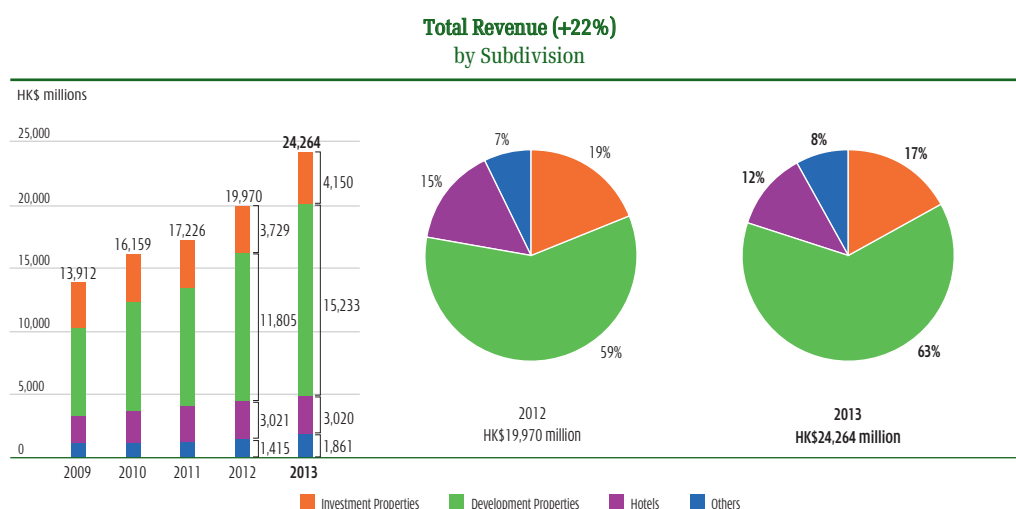
The division's attributable interest in the investment property portfolio consists of 11.8 million square feet of rental properties located in Hong Kong and 2.2 million square feet in the Mainland and overseas. The division also holds interests in joint ventures for the development of high quality, mainly residential projects with an attributable interest in a landbank of approximately 83 million developable square feet, primarily in the Mainland. In addition, the Group's portfolio of 11 premium quality hotels has a total inventory of 8,503 rooms, in which the Group's average effective interest is approximately 63% based on room numbers.

	2013 HK\$ millions	2012 <sup>(1)</sup> HK\$ millions	Change
Total Revenue	24,264	19,970	+22%
EBITDA	13,995	10,887	+29%
EBIT	13,659	10,521	+30%

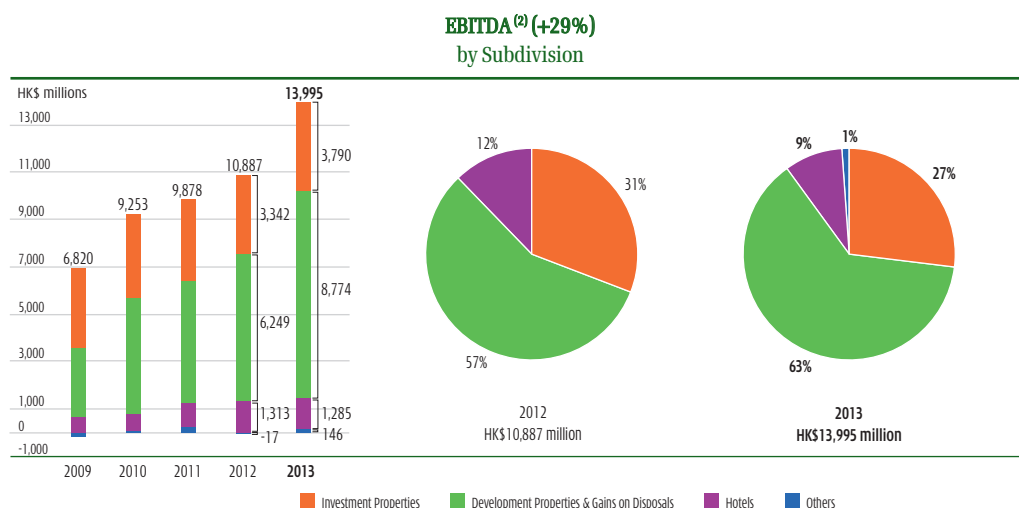
Note 1: 2012 EBITDA and EBIT have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

In local currencies, the division reported growth in total revenue, EBITDA and EBIT, excluding property revaluation, of 19%, 25% and 26% respectively. This division contributed 6%, 15% and 21% respectively of the Group's total revenue, EBITDA and EBIT.

Significant sales growth was reported with total revenue increasing 22% compared with last year.



EBITDA and EBIT increased 29% and 30% respectively, primarily due to the completion and sale of various residential and commercial projects in the Mainland and Singapore, higher gains on disposal of properties in Hong Kong and the Mainland, as well as improved results from the hotel operations in the Bahamas during the year, partly offset by lower average occupancy and room rates in the hotel operations in the Mainland and certain hotels in Hong Kong.



Note 2: Comparatives have been restated to reflect the effect of the adoption of amendments to HKAS19 in 2013.

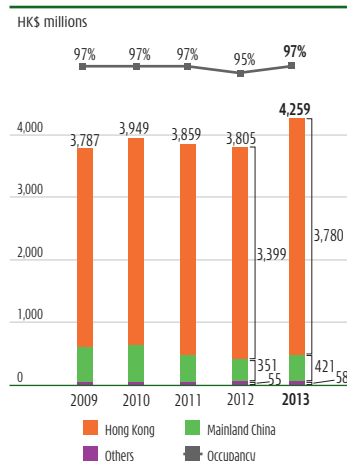
In addition to the EBITDA and EBIT above, the Group recorded an increase in fair value, after deferred tax expense and non-controlling interests, of HK\$32 million in 2013 (2012: HK\$1,113 million).

## Segment Performance

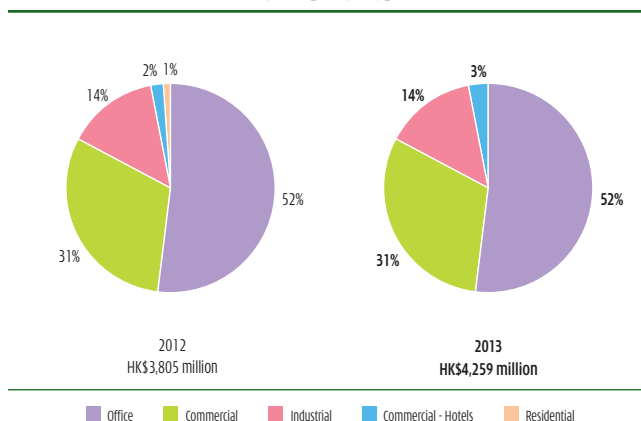
### Investment Properties

Gross rental income, including the share of rental income from the commercial premises in our hotels, increased 12% compared with last year, mainly due to higher rental renewal rates and improvements in occupancy levels. The Group's attributable interest in the rental properties portfolio of approximately 14.0 million square feet comprise office (26%), commercial (29%), industrial (44%) and residential (1%) rental properties. The Group's investment properties overall generated an 8.7% yield on their carrying value of approximately HK\$48,400 million.

#### Total Gross Rental Income by Geographical Location and Occupancy



#### Gross Rental Income by Property Type



### Investment Properties *(continued)*

#### Hong Kong

The Group's attributable interest in the rental properties in Hong Kong total approximately 11.8 million square feet (2012: 12.0 million square feet) including properties held by associates and joint ventures. Gross rental income of HK\$3,780 million (2012: HK\$3,399 million) represents an 11% growth compared with last year and reflects higher lease renewal rates and occupancy levels. All of the Group's Hong Kong rental properties are substantially let.

#### The Mainland and Overseas

The Group's various joint ventures in the Mainland and overseas hold investment properties totalling 4.2 million square feet, of which the Group's share is 2.2 million square feet (2012: 2.1 million square feet). The Group's share of gross rental income from these properties was HK\$479 million (2012: HK\$406 million), 18% above last year, reflecting increased rental rates and occupancy levels in the Mainland as well as the leasing to third parties of certain properties in the Bahamas previously held for own-use.

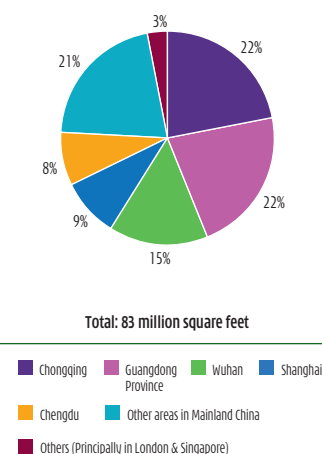
### Development Properties and Gains on Property Disposals

Development profits and gains on disposal of properties contributed HK\$8,774 million to the Group's EBITDA in 2013 (2012: HK\$6,249 million). During the year, profits were recorded from the sale of units in joint venture residential development projects in the Mainland, Singapore and Hong Kong. The Group also recognised gains on the disposal of its interests in certain office and residential properties in Hong Kong and its interests in the Guangzhou Metropolitan Plaza in the Mainland during the year.

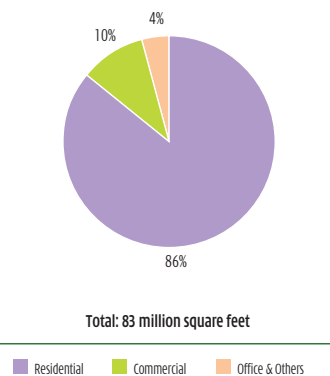
The division completed residential and commercial properties with an attributable gross floor area of approximately 9.0 million square feet and recognised sales from development properties on an attributable share of gross floor area amounting to 7.8 million square feet in 2013, representing increases of 5% and 15% respectively compared to 2012. The corresponding revenue from recognised sales, including the Group's attributable share of revenue from associated companies and joint ventures, increased by 29% to HK\$15,233 million in 2013, reflecting both increased sales volumes and completion activities.

The Group's current attributable landbank (including interests held directly and its share of interests held by associated companies and joint ventures), is approximately 83 million square feet, of which 97% is in the Mainland (at an average land cost of RMB240 per sq ft or approximately HK\$307 per sq ft) and 3% in the UK and Singapore. This landbank comprises 43 projects in 22 cities and is planned to be developed in a phased manner over several years.

**Gross Floor Area of Development Projects by Geographical Location**



**Gross Floor Area of Development Projects by Property Type**



During 2014, the division targets completion of an attributable share of gross floor area of approximately 8.3 million square feet of residential and commercial properties, including in 11 cities in the Mainland and in Singapore.

The Group is targeting contracted sales of over 10,700 residential units in 2014. A total attributable share of approximately 10.4 million square feet of gross floor area (which includes an attributable share of 1.5 million square feet of commercial properties) is expected to be sold in 19 cities in the Mainland, as well as in Singapore and the UK.

### The Mainland

Of the Group's attributable share of approximately 9.0 million square feet of development completed in 2013, approximately 8.9 million square feet were completed in the Mainland, as detailed in the "Additional Information" section of this Annual Report.

The Group recognised sales on an attributable share of gross floor area amounting to 7.7 million square feet, an increase of 15% compared to last year, with 7.0 million square feet related to residential properties, an increase of 14%. The Group's share of recognised revenue from development sales, net of business tax, increased 23% to HK\$14,172 million, of which HK\$10,830 million related to residential properties representing an average selling price of HK\$1,636 per sq ft (2012: HK\$1,722 per sq ft). The Group's average land cost relating to the recognised sales of residential properties in the Mainland in 2013 was approximately HK\$227 per sq ft (2012: HK\$227 per sq ft). The Group's average construction cost and average professional, marketing, funding and other costs amounted to approximately HK\$533 per sq ft and HK\$311 per sq ft respectively (2012: HK\$504 per sq ft and HK\$291 per sq ft respectively). Development profits from recognised sales of residential and commercial properties in the Mainland contributed HK\$5,210 million to the Group's EBITDA during the year, 14% higher than 2012.

In addition, the Group's attributable share of gross floor area from contracted sales in 2013 amounted to 7.0 million square feet, of which 6.4 million square feet related to residential properties. The Group's share of contracted sales revenue, net of business tax, in 2013 amounted to HK\$14,149 million, of which HK\$11,122 million related to residential properties. As at the end of 2013, the Group presold but had not yet recognised the sale of an attributable share of gross floor area totalling 1.6 million square feet, all of which related to residential properties with a total value of HK\$3,028 million, net of business tax.



## Development Properties and Gains on Property Disposals (continued)

	2013	2012	Change
<b>Total Attributable Sales Value (HK\$ millions)</b>			
<b>Recognised Sales*</b>	<b>14,172</b>	11,562	+23%
- of which relates to residential property	10,830	10,038	+8%
<b>ASP^ of residential property (HK\$/sq ft)</b>	<b>1,636</b>	1,722	-5%
<b>Contracted Sales*</b>	<b>14,149</b>	12,761	+11%
- of which relates to residential property	11,122	11,120	+0%
<b>ASP^ of residential property (HK\$/sq ft)</b>	<b>1,861</b>	1,524	+22%
<b>Total Attributable Sales in GFA ('000 sq ft)</b>			
<b>Presold Property b/f</b>	<b>2,321</b>	764	
<b>Recognised Sales in GFA</b>	<b>7,748</b>	6,749	+15%
- of which relates to residential property	7,041	6,201	+14%
<b>Contracted Sales in GFA</b>	<b>6,985</b>	8,306	-16%
- of which relates to residential property	6,354	7,761	-18%
<b>Presold Property c/f</b>	<b>1,558</b>	2,321	

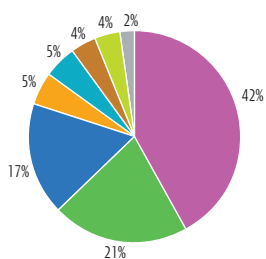
\* Net of business tax

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

## Residential Property Sales

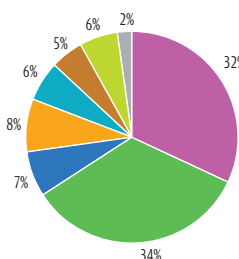
By Geographical Location

**Recognised Sales**



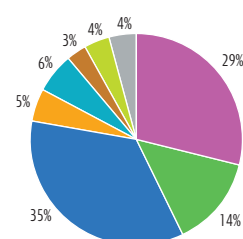
2013: HK\$10,830 million (+8%)

**Recognised Sales GFA**



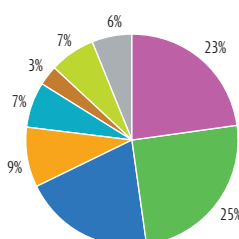
2013: 7.0 million square feet (+14%)

**Contracted Sales**



2013: HK\$11,122 million (+0%)

**Contracted Sales GFA**



2013: 6.4 million square feet (-18%)

Guangdong Province Chengdu Shanghai Chongqing Qingdao Changchun Xian Others

## Hotels

The Group has interests in 11 hotels in Hong Kong, the Mainland and the Bahamas, of which seven are managed through its 50% owned hotel management joint venture. In 2013, the hotel operations recorded total revenue of HK\$3,020 million, which is flat against last year. EBITDA, including the results of hotel commercial properties, decreased slightly by 2% to HK\$1,285 million and EBIT remained flat at HK\$1,036 million when compared to 2012, mainly due to an improvement in the results from operations in the Bahamas, offset by lower average room and occupancy rates in the hotels in the Mainland as well as certain hotels in Hong Kong. The average occupancy rate of the hotel operations decreased slightly from 86% in 2012 to 84% in 2013.

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")<sup>(1)</sup> of HK\$37 per sq ft per month (ranging from HK\$12 per sq ft per month to HK\$75 per sq ft per month), and a 19.5% EBIT yield on its attributable carrying value of these hotels of approximately HK\$3,724 million.

Note 1: HOP represents EBITDA after depreciation of furniture, fixtures and equipment.

**Average Actual Room Inventory  
by Geographical Location and  
Occupancy Rate**

