HERITAGE AND OPPORTUNITY

Annual Report 2011

Great Eagle Holdings Limited
鷹君集團有限公司

Incorporated in Bermuda with limited liability (Stock Code: 41)

The Great Eagle Group is one of Hong Kong's leading property companies; the Group also owns and manages an extensive international hotel portfolio branded under The "Langham" and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Asia, North America and Europe.

The Group's principal holdings include a 51.69% interest (as at 31 December 2011) in Champion Real Estate Investment Trust, which owns 1.56 million square feet of Grade-A commercial office space in Citibank Plaza in the Central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. In the United States, the Group owns three office buildings with a total floor area of 534,000 square feet. The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive international hotel portfolio currently comprises thirteen luxury properties with over 6,000 rooms, including ten luxury hotels branded under The Langham and Langham Place brands in the gateway cities of Hong Kong, Shanghai, Beijing, London, Boston, Los Angeles, Melbourne and Auckland; two Eaton Hotels in Hong Kong and Shanghai; and the Delta Chelsea Hotel in Toronto. Langham Hotels International Limited (a wholly-owned subsidiary of Great Eagle) manages all the hotels with the exception of the Toronto property.

The Group was founded in 1963 with The Great Eagle Company, Limited as its holding company, shares of which were listed on the Hong Kong Stock Exchange in 1972. The Group underwent a re-organisation in 1990 and Great Eagle Holdings Limited, a Bermuda-registered company, became the listed company of the Group in place of The Great Eagle Company, Limited.

The Group had a core profit after tax of approximately HK$1,687 million in the financial year 2011 and a net asset value of approximately HK$34 billion as of 31 December 2011.

GROUP PROFILE

CONTENTS

Love of our Land
by Fang Zhong Ming

CORPORATE INFORMATION

Directors

LO Ka Shui *(Chairman and Managing Director)*
LO Kai Shui *(Deputy Managing Director)*
LO TO Lee Kwan#
CHENG Hoi Chuen, Vincent*
WONG Yue Chim, Richard*
LEE Pui Ling, Angelina*
ZHU Qi*
LO Hong Sui, Antony
LAW Wai Duen
LO Hong Sui, Vincent#
LO Ying Sui#
KAN Tak Kwong *(General Manager)*

Non-executive Directors
* Independent Non-executive Directors

Audit Committee

CHENG Hoi Chuen, Vincent *(Chairman)*
WONG Yue Chim, Richard
LEE Pui Ling, Angelina
ZHU Qi

Remuneration Committee

LEE Pui Ling, Angelina *(Chairman)*
CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard

Nomination Committee

WONG Yue Chim, Richard *(Chairman)*
CHENG Hoi Chuen, Vincent
LEE Pui Ling, Angelina

Finance Committee

LO Ka Shui
LO Kai Shui
KAN Tak Kwong

Company Secretary

WONG Mei Ling, Marina

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

Mayer Brown JSM
Clifford Chance
Appleby

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Citibank, N.A.

Registered Office

Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

33rd Floor, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2827 3668
Fax: (852) 2827 5799

Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2529 6087

Website

www.GreatEagle.com.hk

Stock Code

41

DIVIDEND NOTICE AND FINANCIAL CALENDAR

Final Dividend

The Board of Directors recommends the payment of a final dividend of HK40 cents per share for the year ended 31 December 2011 (2010: HK38 cents per share) to Shareholders whose names appear on the Registers of Members on Tuesday, 22 May 2012 subject to the approval of Shareholders at the forthcoming 2012 Annual General Meeting.

Taken together with the interim dividend of HK21 cents per share paid on 14 October 2011, the total dividend for the year 2011 is HK61 cents per share (2010 total dividend: HK57 cents per share, comprising an interim dividend of HK19 cents and a final dividend of HK38 cents).

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend arrangement is subject to: (1) the approval of proposed final dividend at the 2012 Annual General Meeting; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the scrip dividend arrangement will be despatched to Shareholders together with the form of election for scrip dividend on or about 25 May 2012. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be despatched to Shareholders on 27 June 2012.

Closure of Registers of Members

The Registers of Members of the Company will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) For ascertaining Shareholders' entitlement to attend and vote at the 2012 Annual General Meeting

From Monday, 7 May 2012 to Thursday, 10 May 2012, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2012 Annual General Meeting. In order to be eligible to attend and vote at the 2012 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 May 2012.

(ii) For ascertaining Shareholders' entitlement to the 2011 final dividend

From Thursday, 17 May 2012 to Tuesday, 22 May 2012, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to the 2011 final dividend. In order to qualify for the 2011 final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 16 May 2012.

Financial Calendar

2011 Interim Results Announcement	**19 August 2011**
Payment of 2011 Interim Dividend of HK21 cents per share	**14 October 2011**
2011 Annual Results Announcement	**27 February 2012**
Closure of Registers of Members	
■ For ascertaining Shareholders' entitlement to attend and vote at the 2012 Annual General Meeting	**7 May 2012 – 10 May 2012** (both days inclusive)
■ For ascertaining Shareholders' entitlement to the 2011 Final Dividend	**17 May 2012 – 22 May 2012** (both days inclusive)
2012 Annual General Meeting	**10 May 2012**
Record Date for 2011 Final Dividend	**22 May 2012**
Despatch Date of the Circular and Election Form in respect of scrip dividend arrangement	**on or about 25 May 2012**
Payment of 2011 Final Dividend of HK40 cents per share	**27 June 2012**

FINANCIAL HIGHLIGHTS

Year ended 31 December

Key Financial Figures	2011 HK$ million	2010 HK$ million (restated)	Change
Revenue	4,746.3	4,694.2	1.1%
Statutory Profit attributable to equity holders	4,227.2	4,674.4	– 9.6%
Profit from core business after tax (Core profit)[1]	1,687.1	1,559.6	8.2%
Profit from core business after tax (per share)	HK$2.67	HK$2.50	6.8%
Final Dividend (per share)	HK$0.40	HK$0.38	
Interim Dividend (per share)	HK$0.21	HK$0.19	
Total Dividend (per share)	HK$0.61	HK$0.57	

As at the end of December

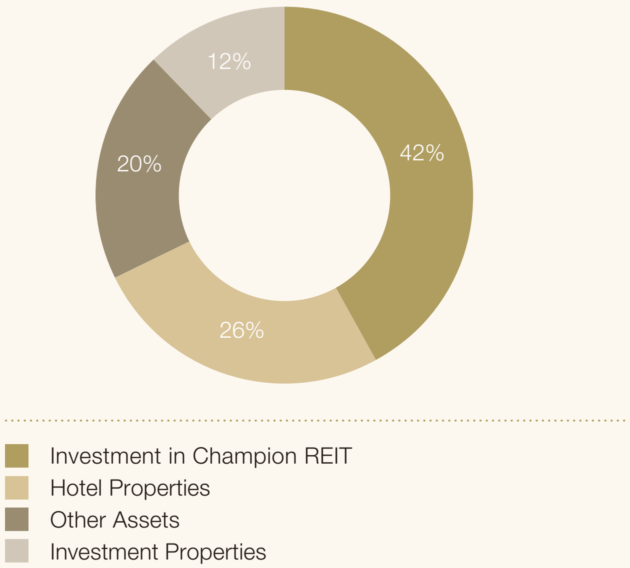
	2011	2010 (restated)
Net Gearing	3%	7%
Book value (per share)	HK$53.4	HK$47.6

1 The Group's core profit is after adjustments for (i) fair value changes on tangible and intangible assets and liabilities that have not been realised; (ii) depreciation and amortisation relating to leasehold land and hotel buildings and (iii) the attributable results of Champion REIT.

Employment of Assets

Assets Employed

Total Assets HK$38,205 million



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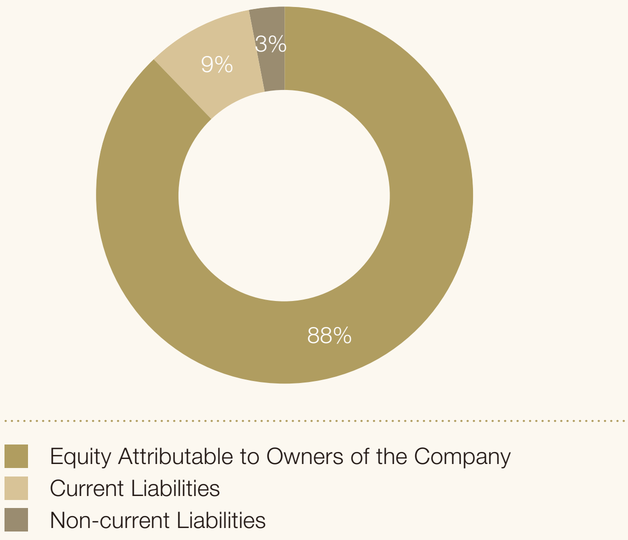
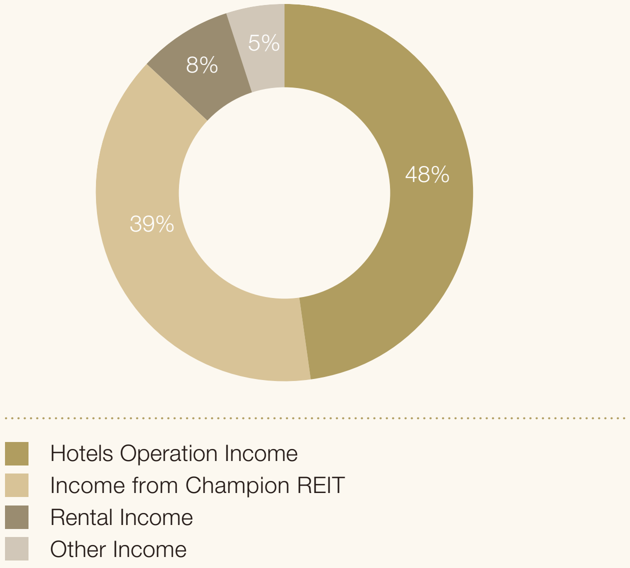
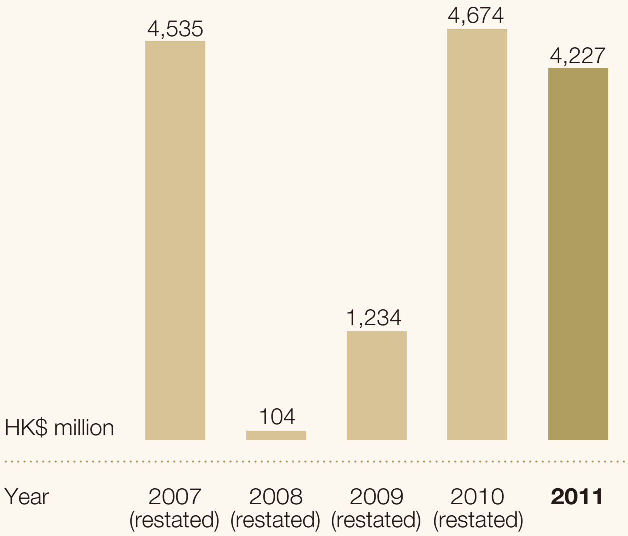


Core Operating Income

HK$2,138 million



Profit Attributable to Owners of the Company



2011 CORE PROFIT

The Group's statutory profit in 2011 reflected the full year impact of the reclassification of our investment in Champion REIT, which became an associate company in July 2010. The statutory income from our investment in Champion REIT for 2010 amounted to HK$2,826.4 million, which included two semi-annual distributions totalling HK$597.0 million and the share of results of Champion REIT from 23 July to 31 December 2010 amounting to HK$2,229.4 million. The statutory income from our investment in Champion REIT for 2011 was HK$3,356.2 million, representing the share of results of Champion REIT only.

However, the Group's core profit will be based on attributable dividend income from Champion REIT in respect of the same financial period, as dividend income is a more meaningful measure of financial return from our investment in Champion REIT. Core profit in 2010 has been restated to the same basis for comparison.

	Year ended 31 December		
	2011 HK$ million	2010 HK$ million (restated)	**Change**
Core profit			
Net rental income	**175.8**	179.1	**– 1.8%**
Hotel income	**1,015.4**	659.6	**53.9%**
Management fee income from Champion REIT	**264.3**	262.0	**0.9%**
Dividend income from Champion REIT	**574.1**	549.6	**4.5%**
Income from other operations	**108.8**	107.7	**1.0%**
Net operating income	**2,138.4**	1,758.0	**21.6%**
Depreciation and amortisation	**(124.0)**	(117.6)	**5.5%**
Administration expenses	**(222.6)**	(226.1)	**– 1.6%**
Income from discounted debt	**–**	220.1	**n.a.**
Other income (including interest income)	**174.3**	176.9	**– 1.5%**
Other expenses	**(20.7)**	(6.2)	**233.9%**
Finance costs	**(100.0)**	(125.0)	**– 20.0%**
Share of results of associates	**19.5**	29.8	**– 34.5%**
Share of results of a JCE	**(9.0)**	(7.2)	**26.0%**
Core profit before taxation	**1,855.9**	1,702.7	**9.0%**
Taxes	**(168.8)**	(143.1)	**18.0%**
Core profit after tax	**1,687.1**	1,559.6	**8.2%**

Overview

The Group's overall performance improved in 2011 despite increasing uncertainty across the global economies in the second half of 2011. For the year ended December 2011, core profit for the Group came to HK$1,687 million, representing an increase of HK$127.5 million or a year-on-year growth of 8.2%. If we were to exclude the impact of a one-off gain relating to the buyback of discounted debt amounting to HK$220 million booked in 2010, core profit in 2011 would have posted a stronger year-on-year growth of 25.9%.

The growth was led by the strong performance at the Hotels division, where the key hotels were able to maintain high occupancy and raise room rates throughout 2011. Such robust performance reflected the sustained demand for rooms in our key markets, in particular Hong Kong, where tourist arrivals from Mainland China and other parts of the Asia-Pacific region stayed very strong. Profit at the Hotels division rose by HK$356 million to HK$1,015 million in 2011.

In addition to the increase in profitability at the Hotels division, a lower level of interest expense, which dropped by HK$25 million, and an increase in dividend income from Champion REIT of HK$25 million also helped lift core profit in 2011.

Hotels Division

	Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
The Langham, Hong Kong	**495**	494	**81%**	80%	**HK$2,128**	HK$1,779	**HK$1,732**	HK$1,419
Langham Place, Hong Kong	**649**	651	**87%**	85%	**HK$1,788**	HK$1,487	**HK$1,559**	HK$1,258
Eaton Smart, Hong Kong	**461**	456	**88%**	87%	**HK$1,079**	HK$900	**HK$949**	HK$782
The Langham, London	**378**	350	**78%**	75%	**£271**	£252	**£210**	£189
The Langham, Melbourne	**370**	372	**78%**	80%	**A$266**	A$252	**A$208**	A$201
The Langham, Auckland	**411**	411	**69%**	66%	**NZ$226**	NZ$174	**NZ$156**	NZ$115
The Langham, Boston	**318**	318	**69%**	68%	**US$234**	US$219	**US$162**	US$149
The Langham Huntington, Pasadena	**380**	380	**66%**	55%	**US$211**	US$217	**US$138**	US$120
Delta Chelsea Toronto	**1,590**	1,590	**73%**	68%	**C$127**	C$126	**C$92**	C$86

CHAIRMAN'S STATEMENT

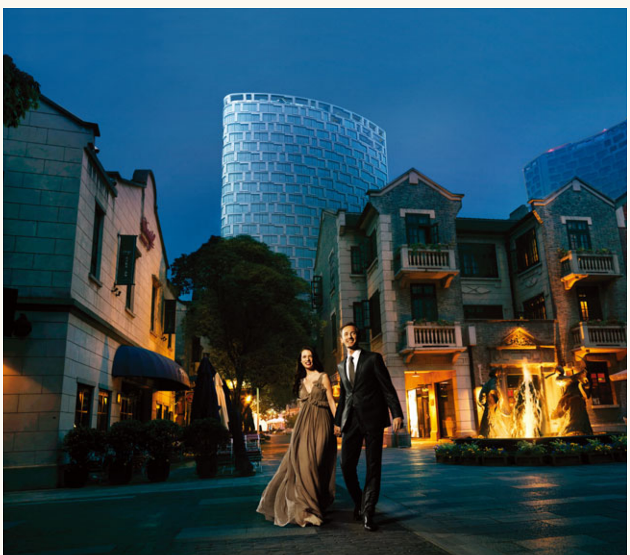
The Langham, Yangtze Boutique, Shanghai

The Langham Huntington, Los Angeles

The Langham
London
England

Hotels Division

Overall revenue of the Hotels division increased by 18.1% from HK$3,269.4 million in 2010 to HK$3,862 million in 2011, driven predominately by higher room rates. The performance at the majority of our overseas hotels has been adversely affected by a slowing of the world economies following the outbreak of the Euro debt crisis in the third quarter of 2011. The slowdown in business travel also had an impact on the Hong Kong hotels, but fortunately the surge in demand from Mainland leisure travelers mitigated the effect of the slowdown. Overall, EBITDA of the Hotels division rose 53.9% from HK$659.6 million in 2010 to HK$1,015.4 million in 2011. (Note: in 2010, a one-off re-branding expense was booked, which lowered the base for EBITDA comparisons.)



Surroundings of The Langham, Xintiandi, Shanghai

Hong Kong

The biggest revenue contributors to the Hotels division were the three hotels in Hong Kong, which generated HK$1,481.7 million in revenue (2010: HK$1,260.3 million). Notwithstanding the deterioration in global economic conditions since the second quarter of 2011 which put a drag on international business travel, Hong Kong benefitted from rising arrivals from Mainland China and Southeast Asia countries (Mainland China accounted for approximately 30% of the guests at our Hong Kong hotels in 2011). With occupancy in the Hong Kong market hovering at very high levels throughout the year, pricing power was in the hands of hoteliers. As a result the overall room rates achieved at our three hotels rose by 20% for the year. That in turn led to a 36.4% growth in EBITDA to HK$562.7 million in 2011. The Hong Kong hotels accounted for 38.4% of revenue but 55.5% of EBITDA of the global hotel portfolio in 2011.

The Langham, Hong Kong

Thanks to its location in the prime shopping area of Tsimshatsui, coupled with high-profile promotion of the Langham brand in Mainland China, Langham Hong Kong enjoyed a high growth in tourist arrivals from Mainland China in 2011. Increased arrivals from other parts of the Asia-Pacific region also helped the hotel to maintain a high average occupancy of 81% for 2011 (2010: 80%). Therefore despite growing macro uncertainties since the third quarter, the Hotel was able to continue with its strategy of maximising room rates. As a result it delivered a 20% year-on-year growth in average room rate to HK$2,128 in 2011 (2010: HK$1,779).

Revenue from food and beverage rose 14% year-on-year in 2011, driven by higher demand for catering services and an increased number of high spending guests at its signature restaurants.

THE LANGHAM
Hotels and Resorts

The Langham
Xintiandi
Shanghai
China


.·:·. Lobby of The Langham, Hong Kong


.·:·. Shanghai Xintiandi

Langham Place, Hong Kong

The higher average occupancy of 87% achieved in 2011 (2010: 85%) was primarily due to an increase in both corporate and leisure travellers from Southeast Asia and Mainland China. In particular, room nights sold to arrivals from Mainland China rose by 32% year-on-year in 2011. In view of the strong demand, the Hotel was able to raise its average room rates by 20% from HK$1,487 in 2010 to HK$1,788 in 2011. Revenue Per Available Room (RevPAR) as a result increased by 24% year-on-year.

Revenue from food and beverage rose 13% year-on-year in 2011. It was supported by increased catering business from corporate functions and strong business at the Michelin rated two-star Chinese restaurant.

	Year ended 31 December		
	2011 HK$ million	2010 HK$ million	**Change**
Hotel Revenue			
Hong Kong	**1,481.7**	1,260.3	**+ 17.6%**
Europe	**519.3**	418.0	**+ 24.2%**
North America	**1,136.7**	1,020.5	**+ 11.4%**
Australia/New Zealand	**701.1**	558.9	**+ 25.4%**
Others	**23.2**	11.7	**+ 98.3%**
Total Hotel Revenue	**3,862.0**	3,269.4	**+ 18.1%**
Hotel EBITDA			
Hong Kong	**562.7**	412.5	**+ 36.4%**
Europe	**158.2**	108.5	**+ 45.8%**
North America	**117.2**	36.7	**+ 219.3%**
Australia/New Zealand	**154.1**	90.2	**+ 70.8%**
Others	**23.2**	11.7	**+ 98.3%**
Total Hotel EBITDA	**1,015.4**	659.6	**+ 53.9%**

Eaton Smart, Hong Kong

(rebranded from Eaton in November 2010)

In addition to increased arrivals from Mainland China, the Hotel also witnessed growth in arrivals from other Asian countries such as Singapore. Turning around from a 3 percentage-point decline in occupancy achieved in the first half of 2011, when the Hotel was focusing on increasing its market share, average occupancy actually rose by 1 percentage point to 88% for the full year in 2011. That was a reflection of the strong demand for mid-priced rooms in the second half of 2011. That in turn led a 20% increase in average room rates from HK$900 in 2010 to HK$1,079 for the full year.

Revenue from food and beverage was softer in 2011, in the face of keen competition for wedding banquet business from other restaurants in the area, though that was partially offset by better performance at the newly renovated bar and restaurant.

Overseas Hotels

Europe

The Langham, London

The Langham Hotel London increased its revenue by 24.2% in 2011 to HK$519.3 million on improved room rates, as compared to the relatively low base of HK$418 million in 2010, when the Hotel just completed a major renovation. This Hotel accounted for 13.4% of the Division's total revenue in 2011. Due to operating leverage, EBITDA increased 45.8% from HK$108.5 million in 2010 to HK$158.2 million in 2011.

The momentum of the full re-opening of the London hotel after refurbishment carried through to the first half of 2011 as it gained market share and built revenues. However the Euro-zone crisis began to impact business in the second half of the year. Nonetheless, the Hotel has solidified its position as one of the top hotels in Central London. With a focus on high-yield retail and Middle Eastern markets, occupancy reached 78% on an average of 378 available rooms in 2011, compared with occupancy of 75% on an average of 350 available rooms in 2010. It was also able to raise its average room rates by 7.5% from £252 in 2010 to £271 in 2011. Revenue from food and beverage also recorded a modest growth of 13% in 2011.

Australia/New Zealand

The two hotels in Australia and New Zealand contributed HK$701.1 million in revenue or 18.2% of the Division's total revenue in 2011. Compared to the revenue of HK$558.9 million of 2010, the growth rate was 25.4%, mainly due to the strong performance of Langham Auckland, which benefitted from the Rugby World Cup.

The Langham, Melbourne

Global economic slowdown in the third quarter of 2011 adversely affected the Melbourne hotel's performance, resulting in marginal growth in total revenue for the year. Softer demand from the corporate segment was compensated by an increase in weekend leisure business, which helped to lift average room rates by 6% to A$266 in 2011 (2010: A$252). During 2011, the refurbishment of 117 rooms was completed, enhancing the competitive position of the Hotel. In 2011, an occupancy of 78% on an average of 370 available rooms was achieved (2010: 80% on an average of 372 rooms). Revenue from food and beverage was stable in 2011, with increased revenue at the restaurants offsetting the sluggish demand for corporate catering services.

The Langham, Auckland

Business of the Hotel was supported by an increase in retail, meetings and conference business over the first half of 2011 under stable economic conditions. Performance of the second half was significantly lifted by the hosting of the Rugby World Cup 2011 in Auckland in September and October. While average occupancy went up only moderately to 69% in 2011 (2010: 66%), average room rate achieved jumped 30% to NZ$226 in 2011 (2010: NZ$174).

Revenue from food and beverage increased 36% year-on-year in 2011, and was driven primarily by the newly renovated restaurant and full year revenue contribution from the banquet facility, which became fully operational from March 2010.

North America

The three hotels in North America produced HK$1,136.7 million or 29.4% of the Division's revenue in 2011. Compared to the $1,020.5 million in 2010, the growth rate was a modest 11.4%, due to better performance of Langham Pasadena and Delta Chelsea Toronto. As the Langham Pasadena was a turn-around situation in 2011, the EBITDA contribution of North America as a whole almost tripled from HK$36.7 million in 2010 to HK$117.2 million. Nevertheless, the North America market continued to underperform the rest of the portfolio.

The Langham, Boston

Despite a difficult operating environment in 2011, revenue managed to edge up 3% in 2011, mainly due to a stronger performance in the first half, when there was some rebound in corporate activities. However food and beverage and other revenues declined. For the year 2011, the hotel achieved average occupancy of 69% (2010: 68%) and an average room rate of US$234 (2010: US$219).

The Langham Huntington, Pasadena, Los Angeles

Under fragile local economic conditions, the Hotel shifted its focus towards the lower-yielding retail leisure and MICE markets. As a result, average occupancy increased by 11 percentage points in 2011 to 66% (2010: 55%), albeit at the expense of average room rates, which declined by 3% to US$211 (2010: US$217). Overall, revenue from rooms increased by 15% in 2011, with a corresponding growth in food and beverage revenue. With that, the Hotel turned EBITDA positive in 2011.

Delta Chelsea Hotel, Toronto

Against the higher comparables of 2010 associated with the G20 summit in Toronto, the Hotel achieved stable performance with the return of corporate travellers and leisure business. Average occupancy was higher at 73% for 2011, as compared to 68% for 2010. Average room rates were constrained by a continued competitive market environment and stayed at C$127 (2010: C$126). Revenue from food and beverage increased by 9% year-on-year on increased catering demand and increased business at the restaurant.

Hotel Management Business

During the year we took on the management contract of the Eaton Smart New Delhi Airport Transit Hotel with 93 rooms. We have no equity stake in the project. The Division also signed up 11 new projects in 2011, 6 of which are in China with the rest in Southeast Asia. However, the management income from these projects should not be significant within the next few years.

Income from Champion REIT

Commencing in financial year 2011, our core profit is based on attributable dividend income from Champion REIT in respect of the same financial period as that of the Group. On that basis, total income from Champion REIT rose 3.3% year-on-year to HK$838.4 million. A higher net property income achieved by Champion REIT led to a higher asset management fee income, which offset a lower level of agency commission income. As a result overall management fee income from Champion REIT rose 0.9% from HK$262 million in 2010 to HK$264.3 million in 2011.

The following remarks are based on Champion REIT's 2011 annual results announcement relating to the performance of the REIT's properties.

Langham Place, Mongkok, Hong Kong

Citibank Plaza

The office leasing market in Central weakened in the second half of 2011, given rapidly deteriorating outlook for the global economy. However, as asking rents are still higher than passing rents at Citibank Plaza, passing rents improved to HK$85.15 per sq.ft. as at December 2011, compared with HK$84.67 per sq.ft. as at December 2010. Given greater flexibility in pricing strategy in the second half of 2011, occupancy improved from 81.5% at the beginning of the year to 90.4% at year end. Mainly as a result of higher average occupancy, gross revenue increased by 2.2% to HK$1,154 million in 2011. However, with higher rental commission paid, net property income only increased marginally by HK$3.4 million to HK$946 million in 2011.

Langham Place Office Tower

In contrast to slowing demand for office space from financial companies in Central, a continuing expansion of the services sector and relocations from Hong Kong Island created sustained demand for office space on the Kowloon Peninsular. Occupancy at Langham Place Office Tower was maintained at a high level of 96.8% at year-end 2011, as compared to 99.2% in 2010. Also, passing rents increased from HK$26.40 per sq.ft. to HK$27.43 per sq.ft. over the course of the year. However, with the expiry of a naming right agreement at the end of 2010, and the loss of associated income of about HK$14.1 million, gross revenue dropped by 4.9% to HK$254 million in 2011. Net property income also dropped by 5.1% to HK$205 million in 2011.

Langham Place Mall

Foot traffic at the Mall went up even further in 2011 from the already very high levels of 2010, mainly due to more visits by tourists, especially those from Mainland China. As average gross sales of tenants at the mall improved by 24% year-on-year to HK$889 per sq.ft., the vast majority of existing tenants have been willing to pay higher rents to retain their spaces. The average passing rent rate increased from HK$97.48 per sq.ft. at the end of 2010 to HK$100.77 at year-end.

Citibank Plaza
Central
Hong Kong

Champion REIT
冠君產業信託

Langham Place Argyle Street entrance

In addition, turnover rent increased by 56% to HK$64 million in 2011. Overall, gross revenue increased by 11% to HK$532 million. Revenue growth would have been even stronger were it not for the expiry of a naming right agreement at the end of 2010 and the loss of associated income of about HK$11.9 million. With lower rental commissions paid in 2011 and thus lower expenses incurred in 2011, net property income rose 17.5% to HK$412 million for 2011.

	For the year ended December		
	2011 HK$ million	2010 HK$ million (restated)	**Change**
Attributable Dividend income	**574.1**	549.6	**+ 4.5%**
Management fee income	**264.3**	262.0	**+ 0.9%**
Total income from Champion REIT	**838.4**	811.6	**+ 3.3%**

Investment Properties

Great Eagle Centre

Unlike the Central District, which has been affected by the global slowdown of the financial and banking industries, the Wanchai North office market remained fairly stable in 2011. Occupancy remained at very high levels for buildings in the district, which has continued to be a preferred location for Mainland Chinese companies and the services sector. Also because its relatively low rents and easy access to Central, Wanchai has also been a favourite destination for tenants fleeing the high rents of Central. Occupancy for the office portion of Great Eagle Centre eased back to 96.8% at the end of 2011 from full occupancy a year ago, due to normal tenancy rollover. However, rents achieved reached HK$60's to HK$70's per sq.ft. (depending on the views) as at the end of 2011, compared with high HK$50's per sq.ft. a year earlier. Average passing rent increased by 11.4% from HK$43.9 per sq.ft. at December 2010 to HK$48.9 per sq.ft. as of December 2011.

Occupancy for the retail portion increased from 93.5% as of 31st December 2010 to 99.4% as of 31st December 2011. All leases that expired in 2011 have been renewed at higher rates.

Even though passing rents at the Great Eagle Centre have increased during 2011, the occupation of incremental space by the Group has resulted in slower growth in overall rental income, as rental related thereto is eliminated on consolidation. Gross rental income for Great Eagle Centre increased 4.7% from HK$105.5 million in 2010 to HK$110.5 million in 2011. On the other hand, net rental income dropped by 5.6% from HK$102.2 million in 2010 to HK$96.5 million in 2011, due to a payment related to the relocation and upgrading of the cooling water pumping facilities.

Eaton Serviced Apartments

Compared with the positive momentum witnessed in the first half of 2011, when there were increased inflows of overseas professionals and hence demand for the serviced apartments, the deepening crisis in the Eurozone has negative impacted demand since the third quarter of 2011. Keen competition in the market, as well as slower demand in the second half led to a drop in occupancy from 78.5% in 2010 to 72.8% in 2011. Nonetheless, for the full year of 2011, achieved rental rate still rose 24.9% from HK$33.6 per sq.ft. in 2010 to HK$42 per sq.ft. in 2011. Gross rental income increased 14.8% year-on-year to HK$40.1 million in 2011, whereas net rental income increased 11.2% year-on-year to HK$26.5 million.

United States Properties

The continued pickup in activity in the technology sector is helping the office market in San Francisco to move to more solid ground and asking rental rates are also firming up in the Bay Area. However, as the average passing rental rates for our US office portfolio remained above market levels, negative rental reversion continued in 2011 as average passing rent dropped by 2.7% from US$36.4 per sq.ft. as at the end of 2010 to US$35.5 per sq.ft. as at the end of 2011. On the other hand, occupancy rose by 3 percentage-points year-on-year to 93% as at the end of December 2011. Gross rental income increased slightly from HK$117.7 million in 2010 to HK$118.1 million in 2011. However, due to higher expenses incurred, net rental income dropped from HK$46.7 million in 2010 to HK$46.4 million in 2011.

Gross rental income	For the year ended December 2011 HK$ million	 2010 HK$ million	 Change
Great Eagle Centre	110.5	105.5	4.7%
Eaton Serviced Apartments	40.1	34.9	14.8%
United States Properties	118.1	117.7	0.4%
Others	6.9	6.9	–
	275.6	265.0	4.0%

Net rental income	2011 HK$ million	2010 HK$ million	Change
Great Eagle Centre	96.5	102.2	– 5.6%
Eaton Serviced Apartments	26.5	23.9	11.2%
United States Properties	46.4	46.7	– 0.7%
Others	6.4	6.3	1.6%
	175.8	179.1	– 1.8%

Development Project

Dalian Mixed-use Development Project

The project comprises approximately 1,200 high-end apartments and a luxury international hotel with approximately 350 rooms, generating an aggregate gross floor area of approximately 286,000 sq. metres. The project is targeted for completion in two phases from 2014/15 onward. The Group has a 50% equity interest in this project and acts as the project manager.

The progress of construction has so far been satisfactory. Excavation works at the site were completed in March 2011 and the foundation works are near completion.

Curtailed access to mortgage financing in China, together with restrictions on residential home purchases, the sales market for residential properties has slowed down considerably during 2011. Though there have been some recent expectations for looser monetary policies, as inflation moderated towards the end of 2011, there has not been any significant positive impact on the property market in Dalian.

Therefore, the marketing launch for our project will be deferred till more favourable market conditions return. Our construction programme will also be adjusted accordingly. Nevertheless, the prime location and low land cost of our Dalian project should continue to make it a viable investment.

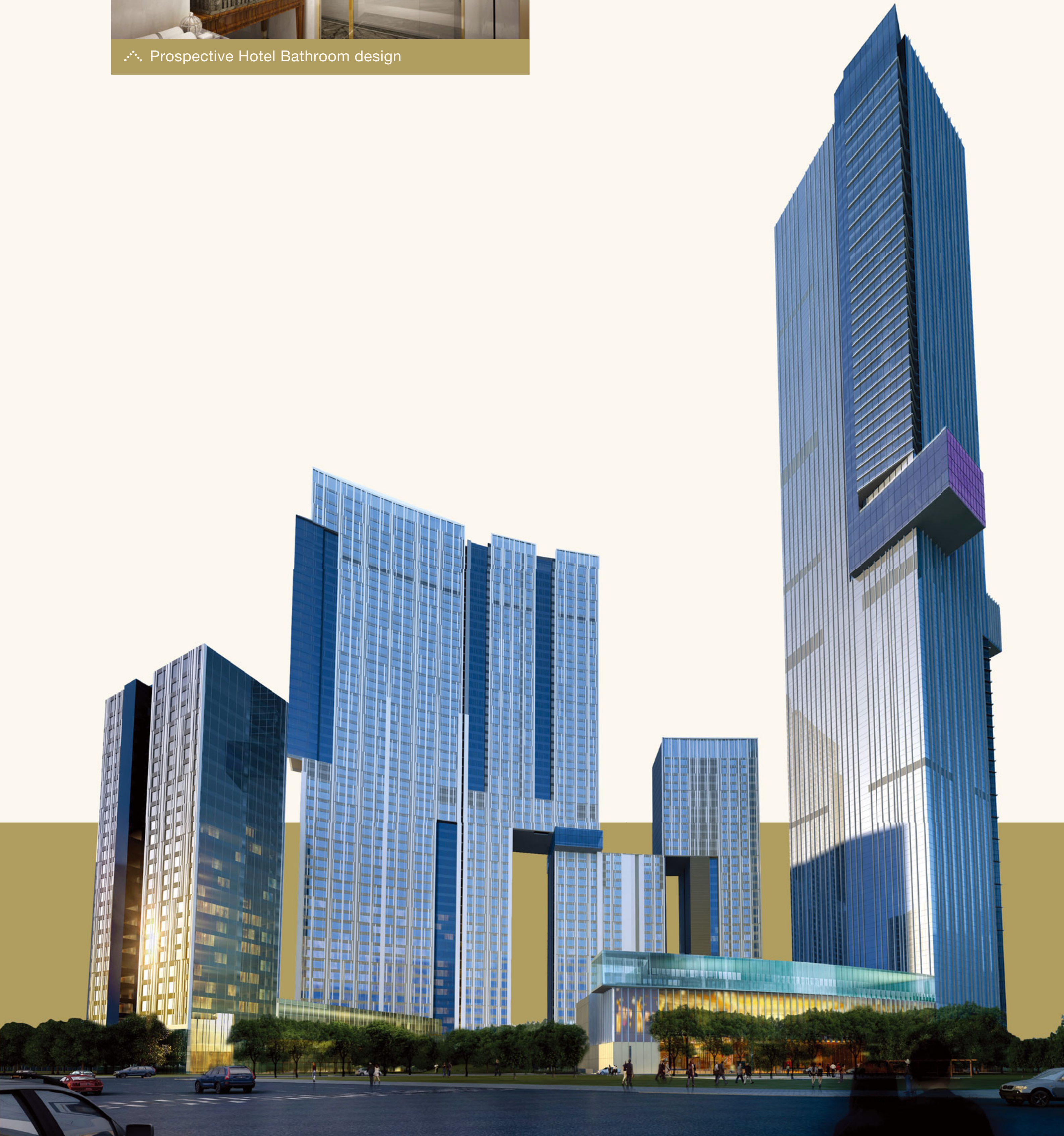
Up to the end of 2011, the Group has invested HK$633 million for its stake in the project.

Prospective Hotel Guestroom design

DEVELOPMENT PROJECT

Mixed-use Hotel and Apartments
Dalian
China

Prospective Hotel Bathroom design



Hotel Redevelopment Project

The Langham, Chicago

The Group acquired a 100% interest in a redevelopment project in downtown Chicago, USA at the end of 2010. The property comprises the lower 13 floors and part of the basement of an existing commercial building at 330 Wabash Avenue (formerly the IBM Building). It is being converted into a luxury 330-room hotel under the Langham brand. This property was acquired at a low point of the U.S. real estate market and is part of the Group's strategy to establish a presence in strategic gateway cities to anchor the Langham brand.

An internationally renowned designer has been retained in 2011 to design the hotel. Some early structural works have also been carried out in second half of 2011. Full scale construction will commence in the first quarter of 2012, and is scheduled for completion in 2013.

Prospective Guestroom design

Prospective Reception design

HOTEL REDEVELOPMENT PROJECT

Prospective Palm Court design

The Langham
Chicago
USA

Financial Review

Debt

Gross debts denominated in HK dollars amounted to HK$1,316 million as of 31 December 2011. Our foreign currency gross debts as of 31 December 2011 amounted to the equivalent of HK$2,078 million, of which the equivalent of HK$496 million or 24% of our foreign currency debts was on fixed-rate basis. Net of cash and bank deposits that mature within 3 months totalling the equivalent of HK$2,452 million, our consolidated net debt outstanding as of 31 December 2011 was HK$942 million, a decrease of HK$989 million from that of HK$1,931 million as of 31 December 2010.

Because of the persistent low interest rate environment and in order to enhance return to shareholders, as a normal treasury function the Group has been prudently investing in quality short-term bonds which are intended to be held to maturity, and principal protected notes with reputable banks and financial institutions as counter-parties. As at 31 December 2011, investment in these bonds and notes amounted to HK$174 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK$768 million.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2011 and the depreciated costs of the Group's hotel properties, amounted to HK$33,589 million as of 31 December 2011. The net assets value at 31 December 2011 represented an increase of HK$3,944 million compared to the restated value of HK$29,645 million as of 31 December 2010, mainly attributable to the profit for the year including share of results of Champion REIT. Based on the consolidated net debt of HK$942 million, the resulting gearing ratio at 31 December 2011 was 3%. Should the investment in bonds and notes mentioned above be recognized in the calculation, the gearing ratio would be reduced to 2%.

Finance Cost

During the year, market interest rate had remained at an extremely low level. Coupled with the high interest income from the Group's investment in Champion REIT convertible bonds, the Group had earned a net interest income of HK$91 million for the year. Consequently, there was no applicable interest cover ratio as at the balance sheet dates.

Liquidity and Debt Maturity Profile

As of 31 December 2011, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$4,315 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage and the major portion of the loan due within one year lie in the latter part of 2012. The following is a profile of the maturity of our outstanding debts as of 31 December 2011:

Within 1 year	76.2%
1-2 years	7.7%
3-5 years	16.1%

Pledge of Assets

At 31 December 2011, properties of the Group with a total carrying value of approximately HK$10,030 million (31 December 2010: HK$9,615 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

Commitments and Contingent Liabilities

As at 31 December 2011, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK$651 million (31 December 2010: HK$74 million) of which approximately HK$71 million (31 December 2010: HK$70 million) was contracted for.

As at 31 December 2011, the Group had outstanding financial commitment of RMB26.5 million (equivalent to HK$32.5 million) (31 December 2010: HK$152 million) for capital injection to a jointly controlled entity, and commitment of RMB132 million (equivalent to HK$163 million) (31 December 2010: HK$275 million) for construction cost to complete a hotel property owned by an associate.

In addition to the above, as at 31 December 2011 the Group had provided a several corporate guarantee and a charge over its interest in the share capital of an associate to a bank in respect of its share of banking facility utilised by the associate of US$13 million (equivalent to HK$98 million) (31 December 2010: HK$152 million).

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31 December 2011.

Outlook

The prospects for global growth have deteriorated markedly in the past several months, as escalation of the Euro zone crisis has stalled global economic recovery and brought considerable uncertainties to the world markets. It is likely that resolution of the crisis will take time. Until then, there will be considerable volatility in the markets that we operate in. Therefore, even though the performance of our major profit contributing businesses has remained intact in recent months, we must remain vigilant and be ready to adjust our strategies accordingly.

Despite the weaker global economic outlook, we remain cautiously optimistic on the prospects for our hotels in Hong Kong in 2012, in part because of the inflow of tourist arrivals from Mainland China has so far shown little signs of slowing down. However, we are expecting the performance of our overseas hotels to be affected to varying degrees in 2012.

The contribution from Champion REIT should remain fairly stable in 2012. There might be some weakness in the income of Citibank Plaza because of softer demand in the Central office market. That however should be compensated to a certain extent by the strength of the Langham Place Mall, where positive rental reversions will lead to higher property income.

Over the past several years, we have enhanced our financial resilience through aggressive reduction of debts. With a very low gearing position, we are on a strong footing to face the challenges of the forthcoming volatility in global markets.

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 27 February 2012

CORPORATE SOCIAL RESPONSIBILITY

We recognise that high levels of corporate social responsibility (CSR) will create long-term shareholder and customer value. Therefore, we pursue this business approach by embracing opportunities and managing risks derived from economic, environmental and social developments, and making informed decisions by engaging with our stakeholders.

Our high standard of performance in CSR is reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index this year.

CSR Steering Committee and Strategy

To enable our Group to take responsibility for CSR impacts of our decisions and activities and to integrate CSR throughout the organisation, we established the CSR Steering Committee in 2011. The Committee comprises of member from the Board and management from key areas of the Group, serving as a high profile working group which is responsible for setting CSR policy and strategy.

The Committee has built a Group CSR Policy which provides a robust framework and direction to implement CSR and embed CSR into our organisational culture. As CSR encompasses a wide array of subjects, the Committee has identified all those issues that are relevant or significant for our decisions and activities and set the priorities by risk assessment. Prevention of Pollution and Supply Chain Influence have been determined as the CSR issues with the highest risk level, which require managing actions. Subsequent to the risk assessment, we developed a CSR strategy which enables us to focus our efforts on these issues by, for example, conducting carbon audits for our owned and/or managed major properties, implementing green office practices and establishing Supplier Code of Conduct. Upon completing implementation of the strategy, the extent of achievement will be assessed by the CSR Steering Committee.

Workplace Quality

We respect generally recognised human rights and are dedicated to adhering to all anti-discrimination laws and encouraging diverse workforce. Our Equal Opportunity Policy ensures that no job applicant or employee receives less favourable treatment or is disadvantaged by sex, pregnancy, disability, marital status or family status when applying a position with the Group or during employment.

In addition to create a fair workspace, we view health and safety beyond a moral and legal responsibility. We are committed to ensuring that risks to employees' health and safety at work are properly controlled. To meet this end, our Property Management Division has established a health and safety management system and obtained OHSAS 18001 Occupational Health and Safety Management System certification. The management system identifies health and safety hazards which are in turn controlled by our operating procedures for employee to follow. Our Hotel Division also places emphasis on employees' health and safety by establishing the hotel health and safety policy. To implement the policy, each hotel has formed a Safety Committee which comprises representatives from various departments. The Safety Committees meet monthly to promote and reinforce safety practices throughout the hotels.

Worker with personal protective equipment

Provision of opportunities to develop has become an important component to attract and retain staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to staff of all levels. We also recognise team work is vital in our business success and in 2011, we

Rainbow
by Cheng Xiang

organised multi-day team building retreats to the staff to enhance self development, positive communication, leadership skills and the ability to work closely together as a team to problem solving.

Multi-day team building retreat

Environmental Protection

We are committed to ensuring that all significant environmental impacts of our operations on the environment are identified and appropriately managed. Our Property Development Division's efforts in managing the impacts have been recognised by being accredited with ISO 14001 Environmental Management System Standard, which provides a management framework to minimise our environmental impacts and continually improve the performance. Langham Place and Citibank Plaza, which are managed by the Division, have also received the Green Management Award (Corporation), Silver and Bronze, respectively. The award demonstrates our environment consciousness and excellent operational environmental management. Our concern for the environment extends into our Hotel Division. The EC3 Global EarthCheck Programme – an independent auditing and monitoring service for the travel and tourism industry – has awarded The Langham, Auckland "Certified Gold" status and other seven hotels "Certified Silver" status.

Climate change continues to be one of the top global challenges that require concerted international efforts. In response to the detrimental environmental problem, Langham Place - Office Tower has commenced conducting energy-cum-carbon audits to review its energy consumption and associated carbon emissions. As required by the EC3 Global EarthCheck Programme, our hotels regularly quantify the carbon emissions and seek opportunities to improve the operations so as to mitigate the impact on climate change.

As a Patron Gold Member of the Hong Kong Green Building Council, we have long committed to keeping the environmental footprint of our owned and/or managed properties to a minimum, both during the initial design and construction phases, as well as throughout the life of the building. At the design stage of the joint venture development project in Dalian, green building initiatives were integrated into our planning. The building maximises natural ventilation and lighting, recycles wastewater, implements renewable energy technologies, selects low thermal conductivity building material and among others in order to mitigate the environmental impacts. Similarly, The Langham Chicago, scheduled to open in 2013, has targeted to qualify for LEED certification. Environmentally responsible design alternatives such as material choices were considered in design stage.

Certificates awarded for environmental management

Rechargeable Battery Collection Bin at Langham Place Shopping Mall

Operating Practices

The Group is committed to adhering to the highest ethical standards. All employees are given a Code of Conduct to which they are required to adhere. The Code explicitly prohibits employees from soliciting, accepting, or offering bribes or any other form of advantage. The Code also outlines the Group's expectations on staff with regard to conflicts of interest.

We further recognise through leadership and monitoring along the supply chain, our Group can promote adoption and support of fair operating practices. To guide this CSR aspect in our supply chain more systematically and how such aspect accords with our Group CSR Policy, the Supplier Code of Conduct is under development and will be adopted stepwise.

We are committed to offering superior quality products and services to our customers by satisfying their expectations and needs – whether they are tenants or shoppers at properties under our management or guests at our hotels. Questionnaires are regularly sent to tenants of properties under our management and hotel guests in order to obtain their feedback. Complaints are recorded and reviewed for determining preventive actions.

Community Involvement

In 2011, the Group decided to focus our community involvement and development activities on three thematic areas: Arts, Children, and Environmental Protection. We believe that by strategically designing a few deserving projects in those three areas and focusing all of our philanthropic resources – financial, volunteer, and in-kind – on such projects, we can engender greater social impact. In order to further this goal, we have identified partnerships with three non-profit organisations and established three major community involvement projects: Hong Kong Youth Arts Foundation – Dear Mother of the Earth, Playright Children's Play Association – Parent-Child Creative Paper-Roll-Play Contest and Summerbridge Hong Kong – Summer Program, Langham Hospitality Group Hotel Visits.

To further instil arts into the community, we sponsored Hong Kong Arts Festival Society - Young Friends Arts Diary Cover Design Competition, Hong Kong Philharmonic Orchestra - Harry and the Wolf Family Concerts, City Chamber Orchestra of Hong Kong -

Sponsorship to Playright Children's Play Association

Sponsorship to Hong Kong Youth Arts Foundation

The Snowman and The Bear Concert. We are also the Council Member of Business Environment Council, Gold Member of Climate Change Business Forum and Gold Member of World Wildlife Fund Hong Kong, which actively arouse environmental awareness of the society.

In recognition of the Group's community involvement and development efforts, nine of our subsidiaries were awarded as a "Caring Company", under the scheme administered by the Hong Kong Council of Social Service.

Looking Forward

While we are making significant progress to integrate CSR into our business, much remains to be done. Other than ensuring the existing CSR initiatives are implemented continuously, we aim to engage more closely with our key stakeholders so as to obtain their feedback on our CSR policy and strategy. In addition, we shall incorporate performance indicators in the future report for our stakeholders to benchmark and compare.

Further details of our Hotel Division's CSR performance will be covered in their first GRI (Global Reporting Initiative) CSR report to be issued in the beginning of 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr. LO Ka Shui

Chairman and Managing Director

Dr. LO Ka Shui, aged 65, has been a member of the Board since 1980 and is the Chairman and Managing Director of the Company and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, the Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Mr. LO Kai Shui

Executive Director and Deputy Managing Director

Mr. LO Kai Shui, aged 52, has been a member of the Board since 1984 and is the Deputy Managing Director of the Company. Mr. Lo is also a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and the founder of Sun Fook Kong Group Limited. He has more than 29 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

Madam LO TO Lee Kwan

Non-executive Director

Madam LO TO Lee Kwan, aged 92, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late chairman of the Company, and co-founder of the Group. She actively involved in the early stage development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

Mr. CHENG Hoi Chuen, Vincent

Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 63, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and members of the Remuneration Committee and Nomination Committee of the Company. He is an Independent Non-executive Director of MTR Corporation Limited, Hui Xian Asset Management Limited (Manager of the public listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited and Swire Properties Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is an Executive Committee member and Vice Patron of Community Chest of Hong Kong, a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC"), a senior adviser to the 11th Beijing Municipal Committee of the CPPCC and a member of the Advisory Committee on Post-service Employment in Civil Servants. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard

Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 59, is an Independent Non-executive Director of the Company. He has been a Director since 1995 and is the Chairman of the Nomination Committee and Members of the Audit Committee and Remuneration Committee of the Company. He is Professor of Economics at the University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region.

Mrs. LEE Pui Ling, Angelina

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 63, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and Members of the Audit Committee and Nomination Committee of the Company. She is a practising solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Non-executive Director of the Securities and Futures Commission and a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee. She has a Bachelor of Laws degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. ZHU Qi

Independent Non-executive Director

Mr. ZHU Qi, aged 51, was appointed as an Independent Non-executive Director of the Company in August 2009 and is a member of the Audit Committee of the Company. Mr. Zhu is an Executive Director and Chief Executive of Wing Lung Bank Limited. He has over 24 years of banking experience. From 2000 to July 2008, he had been the Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited, the Chairman of Chinese Mercantile Bank and a Director of ICBC (Asia) Bullion Company Limited, ICBC (Asia) Nominee Limited and ICBC (Asia) Asset Management Company Limited. Mr. Zhu also had been a Director of China Ping An Insurance (Hong Kong) Company Limited, the Deputy Chairman of ICEA Finance Holdings Limited, the Chairman of Industrial and Commercial International Capital Limited and a Director of The Tai Ping Insurance Company, Limited. He graduated with a Bachelor's Degree from Dongbei University of Finance and Economics and a Master's Degree in Economics from the Zhongnan University of Finance and Economics in 1986.

Mr. LO Hong Sui, Antony

Executive Director

Mr. LO Hong Sui, Antony, aged 70, is an Executive Director of the Company. He has been a Director of the Group since 1967. He has been actively involved in property development, construction and investment for more than 43 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui and a younger brother of Madam Law Wai Duen.

Madam LAW Wai Duen

Executive Director

Madam LAW Wai Duen, aged 75, is an Executive Director of the Company. She has been a Director of the Group since 1963. She graduated from the University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 47 years. She is a daughter of Madam Lo To Lee Kwan and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

Mr. LO Hong Sui, Vincent

Non-executive Director

Mr. LO Hong Sui, Vincent, aged 64, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is a diversified group engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited (formerly known as Shui On Construction And Materials Limited) and Shui On Land Limited – Shui On's flagship property company in the Chinese Mainland established in 2004. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Dr. LO Ying Sui

Non-executive Director

Dr. LO Ying Sui, aged 59, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

Mr. KAN Tak Kwong

Executive Director and General Manager

Mr. KAN Tak Kwong, aged 60, is an Executive Director and the General Manager of the Company. Mr. Kan joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has more than 36 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

Senior Management

Mr. TONG Chun Wan

Mr. TONG Chun Wan, aged 64, Assistant Director of the Company and also the Managing Director of The Great Eagle Development and Project Management Limited, joined the Group in 1983. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong, and has obtained PRC Class 1 Registered Architect Qualification. Mr. Tong is also a member of the Royal Institute of British Architects. Mr. Tong has over 33 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

Mr. MOK Siu Bun, Terry

Mr. MOK Siu Bun, Terry, aged 58, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 30 years' experience in accounting and finance in the real estate industry.

Mr. LEUNG Tat Kai, Henry

Mr. LEUNG Tat Kai, Henry, aged 58, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung holds a Bachelor's Degree in Laws. He is a member of the Royal Institution of Chartered Surveyors and an associate member of The Institute of Chartered Secretaries and Administrators. He has over 30 years' experience in the real estate industry and property management.

Mr. Brett BUTCHER

Mr. Brett BUTCHER, aged 52, is the Chief Executive Officer of the Group's Hotel Division. Mr. Butcher joined the Group in 2002 and has held previous positions of Senior Vice President – Sales, Marketing and Brands for Langham Hotels International Limited and Senior Vice President – Operations for Langham Place Hotels. He holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 32 years and has covered assignments in Asia, the Pacific and North America.

Mr. HO Hon Ching, Barry

Mr. HO Hon Ching, Barry, aged 49, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, and a Master's Degree in Business Administration from the University of Hong Kong. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. He has extensive experience in accounting, statutory auditing and internal auditing.

Mr. CHU Shik Pui

Mr. CHU Shik Pui, aged 50, Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters, joined the Group in 1989. He is a fellow of The Chartered Association of Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of the Society of Registered Financial Planners. Mr. Chu has 27 years' aggregated experience in taxation, finance, accounting and investment.

Mr. LU Ning, Michael

Mr. LU Ning, Michael, aged 39, Managing Director of the Group's trading division, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Ms. WONG Mei Ling, Marina

Ms. WONG Mei Ling, Marina, aged 45, was appointed the Company Secretary of the Company in July 2008 and is the Head of Company Secretarial and Administration Department of the Group. Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master's Degree in Laws, a Master's Degree in Business Administration and a Bachelor of Arts Degree in Accountancy respectively. Ms. Wong had over 20 years working experience in company secretarial practice. Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

Mr. LAM Kin Kwok, Sherman

Mr. LAM Kin Kwok, Sherman, aged 52, Chief Financial Officer of Langham Hotels International Limited, joined the Group in September 2010. Mr. Lam brings to the role almost 30 years of corporate finance, strategic planning and management experience, holding senior roles in both privately held and publicly listed organisations. Prior to Langham Hotels International, he served as Strategic Planning and Development Director with the Fok Ying Tung Group and General Manager – Corporate Development of HKR International, a Hong Kong stock exchange listed conglomerate where he masterminded the strategic plan to enhance its asset portfolio. Mr. Lam has also worked with global petro-chemical giant, Shell in China and Hong Kong, and held various key roles with the HK-listed power company, CLP Group where his roles included Group Planning Director of CLP Holdings and CFO of CLP Telecom.

Mr. AU Ngai Ho

Mr. AU Ngai Ho, aged 54, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has over 31 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

Mr. HUNG Ka Wai

Mr. HUNG Ka Wai, aged 47, the Head of Legal, joined the Group in December 2011. Mr. Hung holds a Bachelor of Laws degree, a Postgraduate Certificate in Laws and a Master of Laws degree. He was admitted as a solicitor in Hong Kong in 1996 with more than 15 years of experience in corporate finance and compliance work in listed companies. He is also a member of The New Zealand Institute of Chartered Accountants and The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

Great Eagle Holdings Limited is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company continues to monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpinning our engrained value of integrity and accountability.

Compliance of Code on Corporate Governance Practices

The Company has complied with all the code provisions and, where appropriate, adopted some of the recommended best practices as set out in the CG Code throughout the year under review, except the following deviations from certain CG Code provisions in respect of which remedial steps for compliance have been taken or considered reasons are given below. To uphold a high level of corporate governance standard, the Company has also early adopted part of the relevant code provisions and mandatory disclosures set out in the Revised CG Code.

CG Code Provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual

Dr. Lo Ka Shui is the Chairman of the Board and is holding the office of Managing Director of the Company. While this is a deviation from CG Code Provision A.2.1, dual role leadership has been in practice by the Company for decades and has withstood the test of time. The Board considers this arrangement to be appropriate for the Company as it can preserve the consistent leadership culture of the Company and allow efficient discharge of the executive functions of the chief executive officer. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including four Independent Non-executive Directors.

CG Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election

While the Bye-laws of the Company requires that one-third of the Directors (other than the Executive Chairman and Managing Director) should retire by rotation, the Non-executive Directors (including the Independent Non-executive Directors) have no fixed term of office. The Board considers that the provisions in the Bye-laws of the Company and its corporate governance measures are no less exacting than those prescribed by CG Code Provision A.4.1 and therefore does not intend to take any steps in this regard.

CG Code Provision A.4.2 requires that every director should be subject to retirement by rotation at least once every three years

Under the existing Bye-laws of the Company, the executive chairman and managing director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the Report of the Directors contained herein. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. The biography of Dr. Lo and details of his emoluments are provided on page 28 of this Annual Report and in note 13 to the consolidated financial statements respectively.

Board of Directors

Board Responsibilities

The Board of Directors assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. It plays a central support and supervisory role in the Company's corporate governance duties. It is responsible for overseeing the management and operation of the Group and is ultimately accountable for the Group's activities, strategies and financial performance.

Board Composition

The composition of the Board during the year is set out as follows:

Executive Directors

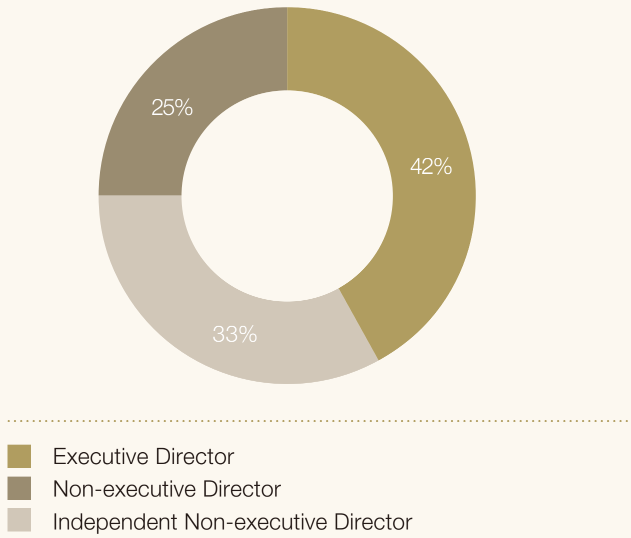
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. KAN Tak Kwong *(General Manager)*

Non-executive Directors

Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors

Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi



Madam Lo To Lee Kwan is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui. Saved as disclosed above, there are no family or other material relationships among members of the Board.

Members of the Board of Directors

- The Board currently has twelve members, five Executive Directors and seven Non-executive Directors, four of whom are Independent Non-executive Directors.

- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors representing one-third of the Board) that can ensure there is adequate independent judgment for the running of the Company's business.

- The members of the Board comprise experts from various professions with extensive experience and have appropriate professional qualifications or accounting or related financial management expertise.

The Bye-laws of the Company requires that one-third of the Directors (other than the Executive Chairman and Managing Director) should retire by rotation. The re-election of each retiring Director is voted by poll on an individual basis.

A Guide on Directors' Duties issued by the Companies Registry in 2009 has been provided to each Director of the Company. A comprehensive induction package designed to provide a general understanding of the Group, its business, the operations of the Board and the main issues it faces, and, if appropriate, an overview of the additional responsibilities of Non-executive Directors will be provided to newly appointed Directors. To assist Directors bringing informed decisions in the best interests of the Company and Shareholders, an information package comprising the latest developments in the legislations and industry news are forwarded to each Director from the Company Secretary periodically.

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 28 to 32 of this Annual Report and published on the Company's website at www.GreatEagle.com.hk.

Supply and Access to Information

During the year 2011, management and financial updates were provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Company. The Directors are also kept updated of any material developments from time to time through notifications and circulars. Discussion sessions between the Board of Directors and the key members of management are held regularly twice a year. Directors also have access to Senior Management of the Company.

The Board Members may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the Company's expense upon reasonable request. The Company Secretary is responsible to make all necessary arrangement. The Directors also have access to the advice and services of the Company Secretary, who is responsible to ensure Board procedures and all applicable rules and regulations are followed.

The Company Secretary of the Company, Ms. Wong Mei Ling, Marina, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. She has attained not less than 15 hours of professional training to update her knowledge and skill each year since 2005. Her biography is set out in the Biographical Details of the Directors and Senior Management section of this Annual Report.

Independence of Independent Non-executive Directors

The participation of Independent Non-executive Directors in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all Shareholders of the Company have been duly considered.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence, and the Board considers the four Independent Non-executive Directors of the Company fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules. Re-election of Independent Non-executive Director who has served the Board for more than nine years will be subject to a separate resolution at the Annual General Meeting to be approved by Shareholders. Three of the Independent Non-executive Directors, namely Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard and Mrs. Lee Pui Ling, Angelina have served on the Board for more than nine years. The Board is fully satisfied that they demonstrate complete independence in character and judgement both in their designated roles and as Board members and is of the opinion that they continue to bring independent view of the Company's affairs to the Board notwithstanding their length of service. The Board believes that their in-depth knowledge of the Group's business and their extensive experience and expertise continue to provide invaluable contribution to the Board.

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals, to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. In accordance with the Bye-laws of the Company, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held.

Proceedings of the Board

- At least 14 days' formal notice of a regular Board meeting will be given to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board Meeting. For special Board meeting, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Committee meeting.
- The Company Secretary assists the Chairman in preparing the agenda for the meetings and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Detailed minutes of each meeting are available to all Directors for inspection.
- Draft minutes are circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting and all Board and Board Committee minutes or resolutions are available for Directors' inspection.

Directors' Attendance at Board and Committees Meetings

Four full physical Board meetings were held during the financial year ended 31 December 2011. The attendance of individual Directors at the Board, Audit Committee, Nomination Committee and Remuneration Committee meetings during the year ended 31 December 2011 is set out below:

	Number of Meeting(s) Attended/Eligible to Attend for the year ended 31 December 2011			
Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting
Executive Directors				
LO Ka Shui *(Chairman and Managing Director)*	4/4	–	–	–
LO Kai Shui *(Deputy Managing Director)*	3/4	–	–	–
LO Hong Sui, Antony	4/4	–	–	–
LAW Wai Duen	4/4	–	–	–
KAN Tak Kwong *(General Manager)*	4/4	–	–	–
Non-executive Directors				
LO TO Lee Kwan	0/4	–	–	–
LO Hong Sui, Vincent	4/4	–	–	–
LO Ying Sui	2/4	–	–	–
Independent Non-executive Directors				
CHENG Hoi Chuen, Vincent	3/4	1/2	1/1	1/1
WONG Yue Chim, Richard	4/4	2/2	1/1	1/1
LEE Pui Ling, Angelina	4/4	2/2	1/1	1/1
ZHU Qi	4/4	2/2	–	–
Average Attendance Rate	83.33%	87.5%	100%	100%

Directors' and Officers' Insurance

During the year ended 31 December 2011, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the SFO) as at 31 December 2011, are set out on pages 50 to 51 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2011.

Delegation by the Board

Management Functions

Under the leadership and supervision by the Board, day-to-day management and operation of the Group are delegated to divisional management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back. The major responsibilities of the divisional management include:

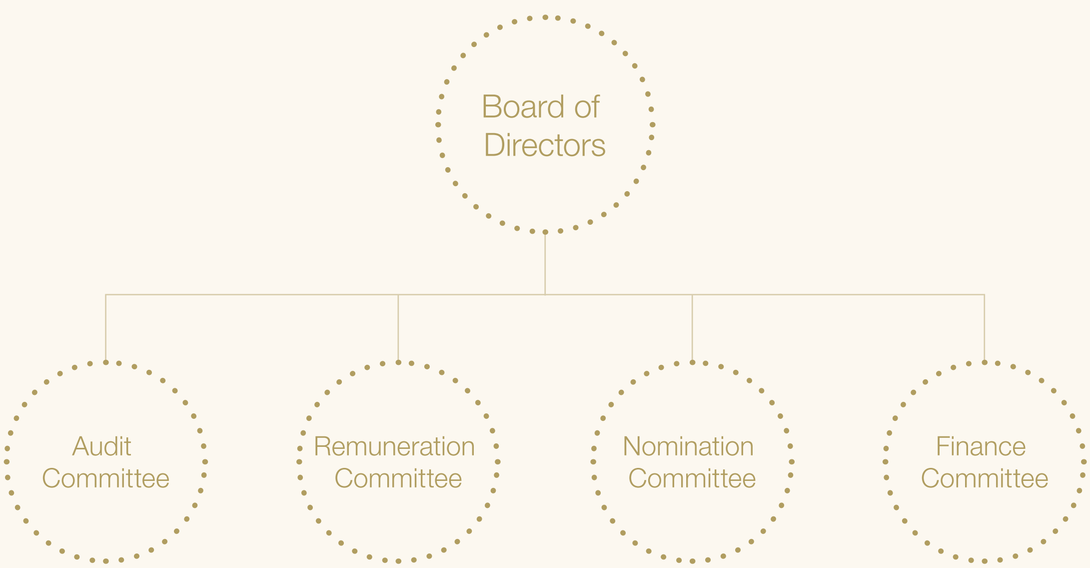
(a) execution of business strategies and initiatives adopted by the Board;

(b) implementation of adequate systems of internal controls and risk management procedures; and

(c) compliance with relevant statutory requirements, rules and regulations.

Board Committees

The Board of Directors has established four standing Board Committees with clear terms of reference to review specific issues or items. They are the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee. These Board Committees also adopted the same principles, procedures and proceedings of the Board of Directors.



Audit Committee

The Audit Committee of the Company was established on 15 April 1999. The principal duties of the Audit Committee are as follows:

(a) to review the Company's half-year and annual report and financial statements of the Company and provide comments and advices thereon to the Board;

(b) to discuss with the management the Company's statement on internal control systems, to review the internal audit programme, and internal auditors' reports, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(c) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(d) to review the external auditor's management letter, any material queries from the auditor to management in respect of the accounting records, financial accounts or system of internal control and management's response to the points raised; and

(e) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

To in line with the Revised CG Code requirements, the terms of reference of the Audit Committee of the Company are updated in February 2012. The written terms of reference are posted on the websites of the Company and the Stock Exchange and are available upon request.

The Audit Committee currently comprises four Independent Non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent (who is the chairman of the Audit Committee), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina and Mr. Zhu Qi. None of the four members of Audit Committee has been a former partner of the Company's external auditor. The attendance of individual members at the Audit Committee meetings held in 2011 is set out in the table on page 37.

Audit Committee Meetings held in 2011

During the financial year ended 31 December 2011, two meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the internal control system;
- reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored subsequent implementations;
- reviewed the Group's accounting, finance and reporting functions, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2010 and the unaudited financial statements for the six months ended 30 June 2011;
- reviewed and approved the draft 2010 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2011 Interim Report and interim results announcement of the Company; and
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration.

Remuneration Committee

The Company established a Remuneration Committee on 8 March 2004 and adopted the terms of reference of the Remuneration Committee which has been updated in February 2012 in alignment with the Code Provision B.1.2 as set out in the Revised CG Code, with additional functions and duties covering the Company's employees and share option scheme. The additional functions are as follows:

(a) to have the delegated responsibility to determine the Company's policy and structure for the remuneration of general staff members; and

(b) to decide on the grant of share options under such Share Option Scheme as may from time to time be adopted by the Company.

The written terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are available upon request.

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairman of the Remuneration Committee), Mr. Cheng Hoi Chuen, Vincent and Professor Wong Yue Chim, Richard. The attendance of individual members at the Remuneration Committee meeting held in 2011 is set out in the table on page 37.

Remuneration Committee Meeting held in 2011

During the financial year ended 31 December 2011, a meeting of the Remuneration Committee of the Company was held to consider and approve, among others, the following:

- the proposal on 2011 general salary revision of and discretionary bonus distribution to the employees of the Group;
- the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group; and
- the annual grant of share options of the Group.

The review by the Remuneration Committee of the emoluments of Directors and Senior Management during the year was based on the skill, knowledge and involvement in the Group's affairs and were determined by reference to job responsibilities, the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions. The remunerations of individual Director and Senior Management are determined by the Remuneration Committee which comprises only Independent Non-executive Directors.

Nomination Committee

The Company established a Nomination Committee on 8 March 2005 and adopted the terms of reference of the Nomination Committee which has been updated in February 2012 in alignment with the Code Provision A.5.2 as set out in the Revised CG Code. The written terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are available upon request.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including the balance of skills and knowledge, as well as experience of the Board when required. The Committee also reviews the structure, size and composition of the Board and assesses the independence of Independent Non-executive Directors.

Nomination Committee Meeting held in 2011

During the financial year ended 31 December 2011, a meeting of the Nomination Committee of the Company was held to consider and approve the nomination of the retiring Directors to seek for re-election at the 2011 Annual General Meeting.

The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent and Mrs. Lee Pui Ling, Angelina. The attendance of individual members at the Nomination Committee meeting held in 2011 is set out in the table on page 37.

Finance Committee

The Company established a Finance Committee on 11 March 2003 which comprises three Executive Directors, namely Dr. Lo Ka Shui, Mr. Lo Kai Shui and Mr. Kan Tak Kwong. Matters considered by the Finance Committee and the decisions reached are reported to the Board at regular Board meetings. Apart from the day-to-day interactions, the duties of the Finance Committee also include:

(a) reviewing and considering the present or future borrowings and/or other obligations and/or liabilities, actual, contingent of the Group; and

(b) meeting on an as needed basis to review the financial position of the Company.

Directors' Remuneration

A Director is entitled to receive a Director's fee of HK$130,000 for the year ended 31 December 2011. The Director's fee was proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by Shareholders at the 2011 Annual General Meeting, and payable to each Director as ordinary remuneration.

The annual remunerations received by the chairman and the members of the respective Board Committees are set out below. These remunerations were determined by the Board with reference to the time and effort involved in his/her specific duties and services and the prevailing market conditions. Details of Directors' emoluments are provided in note 13 to the consolidated financial statements.

	Annual Remuneration	
	2011 HK$	2010 HK$
Audit Committee		
■ Chairman	**210,000**	200,000
■ Committee Member	**160,000**	150,000
Remuneration Committee		
■ Chairman	**60,000**	50,000
■ Committee Member	**50,000**	40,000
Nomination Committee		
■ Chairman	**40,000**	30,000
■ Committee Member	**30,000**	20,000
Finance Committee	**Nil**	Nil

Connected Transactions and/or Continuing Connected Transactions

During the year ended 31 December 2011, the Group entered into certain connected transactions and/or continuing connected transactions. Disclosure requirements in accordance with the Listing Rules were fully complied with.

Details of the connected transactions and/or continuing connected transactions entered during the year and the annual review are set out on pages 53 to 55 in the Report of the Directors contained in this Annual Report.

Related Party Transactions

During the year ended 31 December 2011, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Certain of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 41 to the consolidated financial statements.

Auditor's Remuneration

During the year ended 31 December 2011, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	Auditor's Remuneration 2011 HK$'000
Services rendered	
Audit services	5,024
Non-audit services	
Taxation services	608
Interim review fee	480
Miscellaneous secretarial services and other review fees including continuing connected transactions review etc	70
	6,182

Note: The total amount of Auditor's Remuneration as disclosed in note 12 to the consolidated financial statements is HK$6,122,000 which comprises audit services provided by other auditors in the total amount of HK$1,098,000.

Internal Controls

The Board is entrusted with the overall responsibility for maintaining sound and effective internal control systems of the Group. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to mitigate rather than eliminate risk of failure to meet the business objectives. The following has been established to ensure there are sound and effective internal control systems within the Group:

(a) Well defined organizational structure and limit of authority;

(b) Reliable management reporting system;

(c) Clear and written company policies and procedures; and

(d) Risk Management Self-Assessment and Internal Control Self-Assessment conducted by major business entities of the Group.

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2011.

The Internal Audit Department adopts a risk-based approach to review all major operations of the Group on a cyclical basis. The audit reviews cover all material financial, operational and compliance controls and risk management functions. The annual audit plan and the long-term strategy plan of the Internal Audit Department are approved by the Audit Committee. The Head of Internal Audit Department reports directly to the Managing Director and the Audit Committee. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committee and discussed at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Based on the Audit Committee's assessment on results of the internal audit reviews for the year ended 31 December 2011, no significant irregularity or deficiency in internal controls has come to the Audit Committee's attention. The Audit Committee therefore concludes that the internal control systems of the Group are adequate and effective.

The Board, based on the review of the Audit Committee, is satisfied that the Group has maintained sound and effective internal control systems for the year ended 31 December 2011.

Price Sensitive Information

The Company adheres to strict measures in mitigating the leakage of price sensitive information. During the year ended 31 December 2011, the Company has established its own Policy on the Preservation and Prevention of Misuse of Inside Information which will be reviewed and updated by the Board periodically when required. The policy sets out the Company's overriding principles, monitoring and reporting procedures to preserve the confidentiality of unpublished inside information. The Chairman, General Manager, Company Secretary and the Investment Services Director are identified as the authorized spokespersons of the Company and procedures for responding to external communications are formalized.

Directors' Responsibilities for the Financial Statements

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2011.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on page 61 of this Annual Report.

Communication with Shareholders

The Company maintains an on-going dialogue with the Company's Shareholders and all relevant information is disclosed to Shareholders in a timely manner. One of the principal channels of communication with the Shareholders of the Company is the Annual General Meeting. The Chairman of the Board and the respective Board Committees or their duly appointed delegates and other Board members will attend the Annual General Meeting to answer questions from Shareholders. The Company ensures the Shareholders' views are communicated to the Board. Proceedings of General Meetings are reviewed from time to time to ensure that the Company follows the best appropriate corporate governance practices.

Proceedings of General Meetings

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Printed copies of the corporate communications including annual reports, explanatory statements and related documents or their respective notification letters of publication (as the case may be) will be despatched to Shareholders no less than 20 clear business days prior to the Annual General Meeting and general meeting where a special resolution is proposed for consideration or no less the 10 clear business days for other general meeting. Detailed information on each resolution to be proposed will also be provided.
- The external auditor will attend Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions as may be raised by the Shareholders.
- All votes of Shareholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the websites of the Company and the Stock Exchange on the same day after the meeting.

Maintaining timely and effective communications with Shareholders and the investment community about corporate strategy, business development and prospects is an important priority for the Group. All corporate communications of the Company, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant Company's information are available on the website of the Company at www.GreatEagle.com.hk.

To ensure mutual and efficient communications, the Company meets institutional investors and financial analysts and media regularly at analyst briefings, investor meetings, one-on-one group meetings, local and overseas conference and roadshows. Investors and Shareholders may visit the Company's website for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Board through the Company's website. A financial calendar setting out the important dates is contained in this Annual Report on page 4.

Matters resolved at the 2011 Annual General Meeting

- Received the audited accounts for the year ended 31 December 2010 together with the Reports of the Directors and the Independent Auditor.
- Approved the payment of the final dividend of HK38 cents per share for the year ended 31 December 2010.
- Re-elected Mr. Cheng Hoi Chuen, Vincent, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Kan Tan Kwong as Directors.
- Fixed the maximum number of Directors at 15.
- Approved the ordinary remuneration of HK$130,000 per annum payable to each Director for the year ended 31 December 2011.
- Approved the re-appointment of Messrs. Deloitte Touche Tohmatsu as the Auditor of the Company and authorisation to the Board of Directors to fix their remuneration.
- Approved the grant of a general mandate to the Directors to repurchase shares not exceeding 10% of the issued share capital.
- Approved the grant of a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital.
- Approved the extension of the general mandate granted to the Directors to allot, issue and deal with shares by the number of shares repurchased.
- Approved the amendments to the Bye-laws of the Company for the main purposes of (1) fine-tuning the relevant provisions in the Bye-laws regarding the use of the Company's website and other electronic means to send or make available notices or documents to the Shareholders; and (2) bringing the Bye-laws in line with the requirements of the Listing Rules.

Shareholders' Rights

Under Bermuda Companies Act 1981, shareholders holding not less than one-tenth of the paid up capital of the Company may convene a special general meeting by written requisition stating the purpose of the meeting, and deposit the signed requisition at the Company's registered office. Pursuant to Bye-law 114 of the Company, shareholder may propose a person other than a retiring Director of the Company for election as a Director of the Company at the general meeting, by lodging a written notice of nomination with the consent of nominated person at the principal office or registered office of the Company at least 7 days before the date of the general meeting.

Amendments to Constitutional Document

During the financial year, the Company has made certain amendments to the Bye-laws. The updated Bye-laws are published on the websites of the Company and the Stock Exchange. The key amendments to the Bye-laws are summarized as follows:

(a) fine-tuning the relevant provisions in the Bye-laws regarding the use of the Company's website and other electronic means to send or make available notices or documents to Shareholders, subject to compliance with the Listing Rules and applicable laws of Bermuda;

(b) bringing the Bye-laws in line with the requirements of the Listing Rules; and

(c) other house-keeping improvements to the Bye-laws.

Employees

During the year, the number of employees of the Group increased approximately 3.9% to 4,860. The change was mainly attributable to the increase in staff in our hotel operations. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including Executive Directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged for the year, with particular emphasis on performance management. To further support the engagement of employees, our Hotel Division applies the Total Quality Management (TQM) technology to develop a global management system by involving every employee in our continuous improvement culture. A set of Quality Standard on 4 key focuses (leadership, guest, colleague and innovation) has been launched in 2011, supported with management briefing and training.

In 2011, the Group has introduced staff training and development plan which included management development programme for managing talents through competency initiatives; team building workshop for further establishing synergy and building collaborative working relationship. The aim is to strengthen leadership competencies and accelerate team effectiveness. The Group has also facilitated external and in-house designed training programmes in management, soft skill as well as technical skills training. A senior management workshop on "Innovation" was to hammer the hotel division's key strategy. The group also introduced an internal awareness program on "Innovation" to engage all colleagues. Further details on workplace quality are set out in the report on Corporate Social Responsibility available in this Annual Report.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development and investment, hotel and restaurant operations, manager of real estate investment trust, trading of building materials, share investment, provision of management and maintenance services, property management and fitness centre operation.

Results and Dividends

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK40 cents per share to the Shareholders whose names appear on the Registers of Members of the Company on Tuesday, 22 May 2012. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend will be made on 27 June 2012 in cash with a scrip dividend alternative. Taken together with the interim dividend of HK21 cents per share paid in October 2011, the total dividend for the year 2011 is HK61 cents per share.

Amendments to the Bye-laws of the Company

At the Annual General Meeting of the Company held on 12 May 2011, the special resolution relating to the amendments to the Bye-laws was passed by the Shareholders of the Company. The key amendments to the Bye-laws include (1) fine-tuning the relevant provisions in the Bye-laws regarding the use of the Company's website and other electronic means to send or make available notices or documents to the Shareholders, subject to compliance with the Listing Rules and applicable laws of Bermuda; (2) bringing the Bye-laws in line with the requirements of the Listing Rules; and (3) other house-keeping improvements to the Bye-laws. The updated Bye-laws are published on the websites of the Company and the Stock Exchange.

Movements in Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements.

Five Years' Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in Appendix II to this Annual Report.

Fixed Assets

Movements in the fixed assets of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements.

Details of the major properties of the Group as at 31 December 2011 are set out in Appendix I to this Annual Report.

Share Capital

As at 31 December 2011, the authorised capital of the Company was HK$400,000,000.00 divided into 800,000,000 shares of HK$0.50 each, 629,067,272 shares of which were issued and credited as fully paid. During the year, 6,180,898 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2010 final dividend and 2,884,000 shares were issued pursuant to the 1999 Share Option Scheme. The Company also repurchased 3,110,000 shares of the Company during the year, of which 2,807,000 shares were cancelled before the year end. Details of the movements of the share options and the repurchase of shares during the year are disclosed in the following relevant paragraphs. Changes in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

Purchase, Sale or Redemption of Company's Securities

During the year ended 31 December 2011, the Company repurchased a total of 3,110,000 ordinary shares of the Company at an aggregate purchase price of HK$49,208,800 on the Stock Exchange, representing 0.4973% of the issued share capital of the Company as at the date of the passing of the resolution under which the general mandate to repurchase shares was granted. Among the repurchased shares, 2,807,000 shares were cancelled before the year ended 31 December 2011. 303,000 repurchased shares were left uncancelled as at 31 December 2011. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid
		Highest	Lowest	
October 2011	1,157,000	HK$17.00	HK$14.90	HK$18,369,420
November 2011	1,185,000	HK$17.00	HK$15.06	HK$19,101,800
December 2011	768,000	HK$15.86	HK$14.78	HK$11,737,580
Total	**3,110,000**			**HK$49,208,800**

After the year end and up to 27 February 2012, an additional 277,000 shares were repurchased at an aggregate consideration of HK$4,381,240. The total number of issued shares as at the date of this report is 628,487,272 shares.

Save as disclose above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. KAN Tak Kwong *(General Manager)*

Non-executive Directors

Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors

Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Professor Wong Yue Chim, Richard and Madam Law Wai Duen shall retire by rotation and, being eligible, have offered themselves for re-election at the 2012 Annual General Meeting of the Company.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules, and the Board considers all the Independent Non-executive Directors of the Company to be independent.

Directors' and Senior Management's Biographies

The biographical details of the Directors and the Senior Management of the Company are set out on pages 28 to 32 of this Annual Report.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2012 Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

Directors' Emoluments

Details of Directors' emoluments are set out in note 13 to the consolidated financial statements.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

1. Long positions in shares and underlying shares of the Company

	Number of Ordinary Shares/Underlying Shares						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Number of outstanding share options	Total	Percentage of issued share capital[8]
Lo Ka Shui	47,010,104[1]	–	4,233,302[2]	283,525,919[3]	1,242,000	336,011,325	53.41
Lo Kai Shui	202,973	–	639,146[4]	208,891,692[5]	525,000	210,258,811	33.42
Lo To Lee Kwan	999,332	–	4,592,671[6]	208,891,692[5]	–	214,483,695	34.09
Cheng Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	0.00
Wong Yue Chim, Richard	10,000	–	–	–	–	10,000	0.00
Lo Hong Sui, Antony	54,715	–	–	208,891,692[5]	600,000	209,546,407	33.31
Law Wai Duen	1,063,048	–	–	208,891,692[5]	412,000	210,366,740	33.44
Lo Hong Sui, Vincent	293	–	–	208,891,692[5]	–	208,891,985	33.20
Lo Ying Sui	3,855,046	3,764	33,269,396[7]	208,891,692[5]	–	246,019,898	39.10
Kan Tak Kwong	1,018,753	–	–	–	1,050,000	2,068,753	0.32

Notes:

(1) Among these 47,010,104 shares, 5,783,926 shares of which were derivative interests held by Dr. Lo Ka Shui.

(2) Among these 4,233,302 shares, 520,000 shares of which were derivative interests. These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(3) These 283,525,919 shares comprise:

(i) 208,891,692 shares owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are the beneficiaries; and

(ii) 74,634,227 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.

(4) These 639,146 shares comprise 534,900 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 104,246 shares held by a company controlled by him. Mr. Lo Kai Shui is also a director of these companies.

(5) These shares are the same parcel of shares referred to in Note (3)(i) above.

(6) These 4,592,671 shares were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies.

(7) These 33,269,396 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.

(8) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2011 of 629,067,272 shares and rounded down to 2 decimal places.

2. Long positions in shares of associated corporations of the Company

(a) Cinderella Media is an associated company of the Company, in which the Group has approximately 19.50% interests in the issued share capital as at 31 December 2011. Dr. Lo Ka Shui beneficially owned 150,000 shares in Cinderella Media, representing 0.046% of its issued share capital.

(b) MGIL is an associated company of the Company, in which the Group has a 33.33% interests in the issued share capital as at 31 December 2011. Mr. Lo Hong Sui, Vincent was interested in the remaining 66.67% interests in MGIL through a company beneficially owned by him.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interest in Competing Businesses

The interests of Directors in a business apart from the Group's business, which competes or is likely to compete either directly or indirectly, with the Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

(a) Mr. Lo Hong Sui, Vincent is the founder and Chairman of the Shui On Group which was established in 1971. He also leads the key positions in the following subsidiaries of the Shui On Group:

- Chairman of Shui On Land Limited, the Shui On Group's flagship property development company in the Chinese Mainland specialising in city-core large-scale re-development projects. The company was listed on the Stock Exchange in 2006.

- Chairman of SOCAM Development Limited (formerly known as Shui On Construction And Materials Limited), which is engaged in property, cement and construction in the Chinese Mainland, Hong Kong and Macau. The company was listed on the Stock Exchange in 1997.

(b) Mr. Lo Kai Shui is the Chairman of Sun Fook Kong Group Limited, which engages in, among other things, property development in Mainland China.

As the Board of Directors of the Company is independent of the Board of Directors of Shui On Land Limited, SOCAM Development Limited and Sun Fook Kong Group Limited, the Group has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

In addition, Dr. Lo Ka Shui is the Chairman and Non-executive Director and Mr. Lo Kai Shui is a Non-executive Director of Eagle Asset Management (CP) Limited, Manager of Champion REIT. Champion REIT is a trust formed to own and invest in income-producing office and retail properties.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1)

Changes in the information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Dr. Lo Ka Shui, the Chairman and Managing Director of the Company, was appointed as a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority on 1 February 2012.

Mr. Cheng Hoi Chuen, Vincent, an Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of CLP Holdings Limited and a member of the Advisory Committee on Post-service Employment in Civil Servants with effect from 17 August 2011 and 1 September 2011 respectively.

Disclosure of Connected Transaction and Continuing Connected Transactions Pursuant to Chapter 14A of the Listing Rules

During the year, the Group entered into the following connected transaction and continuing connected transactions:

1. Connected transaction and continuing connected transactions in relation to a joint venture with Shui On Land

On 22 August 2011, Mighty Corporate Limited ("MCL"), an indirect wholly-owned subsidiary of the Company, entered into the Shareholders' Deed with Shui On Development Holding Limited ("SODH") in relation to the JV Project whereby MCL and SODH agreed to form a joint venture through the establishment of the JV Co, a subsidiary owned as to 60% of its issued share capital by the Group and the remaining 40% of its issued share capital by the Shui On Group, for the purpose of owning and holding the JV Brand and relevant Trademarks for use by new and existing hotel complexes and branded residences developed under the JV Brand in the PRC. Capitalised terms used herein shall have the same meaning as ascribed thereto in the announcement dated 22 August 2011 issued by the Company unless defined otherwise herein.

In furtherance of the JV Project, Langham Hotels (China) Limited, an indirect wholly-owned subsidiary of the Company, entered into the Master Agreement for a term of three years commencing from 22 August 2011 and expiring on 21 August 2014 with SODH in relation to the Hotel Agreements, the Branded Residences Agreements and the License Agreements that may be entered into by members of the Langham Hospitality Group with the Shui On Group from time to time for the provision of fitting-out, centralised services, marketing and management services, and granting licences to hotel complexes and branded residences developed and/or owned by the Shui On Group or third parties under the JV Brand.

Mr. Lo Hong Sui, Vincent is a Non-executive Director of the Company and his spouse and the trustee of a discretionary trust of which he is a discretionary object were directly or indirectly interested in over 50% of the issued share capital of Shui On Land as at the date of entering into the Shareholders' Deed and the Master Agreement. Shui On Group holds 40% equity interest in the JV Co. Accordingly, SODH, the JV Group and the Shui On Group are connected persons of the Company, and the formation of the joint venture under the Shareholders' Deed with SODH constitutes a connected transaction for the Company.

As no significant capital commitment was expected to be made by the Group under the Shareholders' Deed, the entering into of the Shareholders' Deed was exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the connected relationship between the Company and Shui On Land as mentioned above, the Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated with reference to the proposed Annual Caps was expected to exceed 0.1% but would be less than 5%, the entering into of the Master Agreement and the transactions contemplated therein were subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Continuing connected transactions and annual review

(a) Master Tenancy Agreement in relation to the tenancy of certain premises at Great Eagle Centre

The Master Tenancy Agreement was entered into on 30 March 2010 between Moon Yik Company, Limited, an indirect wholly-owned subsidiary of the Company, and Sun Fook Kong Construction Management Limited ("SFK Management") in relation to the tenancy of certain premises at Great Eagle Centre for a term of three years commencing from 1 April 2010 and expiring on 31 March 2013.

Annual Caps for the 12 months commencing from:

1 April 2010	**1 April 2011**	**1 April 2012**
HK$5,057,000	HK$5,234,000	HK$5,277,000

Details of the Master Tenancy Agreement were set out in an announcement dated 30 March 2010 issued by the Company. The transactions contemplated under the Master Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(b) Hotel Management Agreement and Licence Agreement in relation to a Hotel erected on Lot 108 in the Luwan District, Shanghai ("Hotel 108")

The Hotel Management Agreement was entered into on 1 April 2010, under which Langham Hotels Shanghai Company Limited, an indirect wholly-owned subsidiary of the Group, was given the exclusive right to manage and operate Hotel 108, in which the Group has one-third of the interest, for a term of 20 years from the opening the hotel. Hotel 108 has commenced operation in October 2010.

The Licence Agreement was entered into on 1 April 2010, under which Langham Hotels International Limited, an indirect wholly-owned subsidiary of the Group, granted to the owner of Hotel 108 a non-exclusive and non-transferable licence to use the "Langham" and other trademarks for the operation of Hotel 108 during the term of the Hotel Management Agreement.

Annual Caps were set to the aggregate fee receivable under the Hotel Management Agreement and the Licence Agreement for the each of the financial years ended/ending 31 December 2011, 2012 and 2013 would remain below HK$98,959,000.

Details of the Hotel Management Agreement and Licence Agreement were set out in an announcement dated 1 April 2010 issued by the Company. The transactions contemplated under the Hotel Management Agreement and the Licence Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(c) Master Agreement with SODH in relation to a joint venture with Shui On Land as described in paragraph 1 above

The Master Agreement was entered into on 22 August 2011 between LHC, an indirect wholly-owned subsidiary of the Company, and SODH in furtherance of the JV Project for a terms of three years commencing from 22 August 2011 and expiring on 21 August 2014. Under the Master Agreement, members of the Langham Hospitality Group may enter into Hotel Agreements, the Branded Residences Agreements and the License Agreements with the Shui On Group from time to time for provision of fitting out, centralized services, marketing and management services, and licensing by the Langham Hospitality Group to the hotel complexes and branded residences developed and/or owned by Shui On Group or third parties under the JV Brand.

Annual Caps for each of the financial years ending 31 December 2025 shall not exceed RMB80,000,000 (approximately HK$97,560,000).

Details of the Master Agreement were set out in an announcement dated 22 August 2011 issued by the Company. The Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The amount of transactions in 2011 under each of the aforesaid agreements are as follows and details of which are included in note 41 to the consolidated financial statements regarding related party transactions.

	2011 **HK$'000**
Under Master Tenancy Agreement in 2(a) above	**5,185**
Under Hotel Management and Licence Agreement in 2(b) above	**6,490**
Under Master Agreement in 2(c) above	**786**

In accordance with Rule 14A.37 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2011 and confirmed they have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' Interest in Contracts of Significance

Details of the connected transaction and continuing connected transactions are set out in this report and note 41 to the consolidated financial statements. Save for the above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Option Schemes

In accordance with the 2009 Share Option Scheme of the Company, the Board of Directors may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The 2009 Share Option Scheme of the Company was to replace the 1999 Share Option Scheme. Upon the adoption of the 2009 Share Option Scheme on 27 May 2009, the 1999 Share Option Scheme was terminated. Options granted during the life of the 1999 Share Option Scheme and remain unexpired prior to the termination of the 1999 Share Option Scheme continue to be exercisable in accordance with their terms of issue after termination of the 1999 Share Option Scheme.

Further details of the 1999 Share Option Scheme and 2009 Share Option Scheme are set out in note 35 to the consolidated financial statements.

1. Movements of the Share Options granted to Employees (including Directors)

During the year ended 31 December 2011, the details of the movements in the share options granted to the Company's employees (including Directors) under the 1999 Share Option Scheme and 2009 Share Option Scheme are as follows:

	Number of Share Options						
Date of grant	Outstanding as at 1/1/2011	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2011	Exercise Period	Exercise price per share (HK$)
04/01/2007[1]	2,733,000	–	(1,116,000)	(88,000)	1,529,000	05/01/2009-04/01/2012	22.35
08/01/2009[1]	2,873,000	–	(1,768,000)	(32,000)	1,073,000	09/01/2011-08/01/2014	9.34
04/03/2010[2]	2,703,000	–	–	(174,000)	2,529,000	05/03/2012-04/03/2015	22.80
07/03/2011[2]	–	3,047,000[3]	–	(151,000)	2,896,000	08/03/2013-07/03/2016	26.18
Total	**8,309,000**	**3,047,000**	**(2,884,000)**	**(445,000)**	**8,027,000**		

Notes:

(1) Share options were granted under the 1999 Share Option Scheme.

(2) Share options were granted under the 2009 Share Option Scheme.

(3) During the year ended 31 December 2011, 1,247,000 and 1,800,000 share options were granted to the Directors of the Company and other employees of the Group respectively.

(4) During the year ended 31 December 2011, no share options were cancelled.

(5) Consideration paid for each grant of share option was HK$1.00

(6) The vesting period for the share options grant is 24 months from the date of grant.

(7) The closing price of the shares of the Company immediately before the date of grant of 7 March 2011, i.e. 4 March 2011, was HK$26.10.

2. Movements of the Share Options granted to Directors

During the year ended 31 December 2011, the details of the movements in the Share Options granted to Directors of the Company (some are also substantial shareholders) under the 1999 Share Option Scheme and 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

	Date of grant	Outstanding as at 01/01/2011	Number of Share Options: Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2011	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Directors								
Lo Ka Shui	04/01/2007(1)	600,000	–	(600,000)	–	–	22.35	25.26
	08/01/2009(1)	609,000	–	(609,000)	–	–	9.34	25.26
	04/03/2010(2)	620,000	–	–	–	620,000	22.80	N/A
	07/03/2011(2)	–	622,000	–	–	622,000	26.18	N/A
		1,829,000	622,000	(1,209,000)	–	1,242,000		
Lo Kai Shui	04/01/2007(1)	200,000	–	–	–	200,000	22.35	N/A
	08/01/2009(1)	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010(2)	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011(2)	–	100,000	–	–	100,000	26.18	N/A
		425,000	100,000	–	–	525,000		
Lo Hong Sui, Antony	04/01/2007(1)	200,000	–	–	–	200,000	22.35	N/A
	08/01/2009(1)	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010(2)	150,000	–	–	–	150,000	22.80	N/A
	07/03/2011(2)	–	125,000	–	–	125,000	26.18	N/A
		475,000	125,000	–	–	600,000		
Law Wai Duen	04/01/2007(1)	100,000	–	–	–	100,000	22.35	N/A
	08/01/2009(1)	112,000	–	–	–	112,000	9.34	N/A
	04/03/2010(2)	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011(2)	–	100,000	–	–	100,000	26.18	N/A
		312,000	100,000	–	–	412,000		
Kan Tak Kwong	04/01/2007(1)	300,000	–	–	–	300,000	22.35	N/A
	08/01/2009(1)	250,000	–	–	–	250,000	9.34	N/A
	04/03/2010(2)	200,000	–	–	–	200,000	22.80	N/A
	07/03/2011(2)	–	300,000	–	–	300,000	26.18	N/A
		750,000	300,000	–	–	1,050,000		
Employees (other than Directors of the Company)	04/01/2007(1)	1,333,000	–	(516,000)	(88,000)	729,000	22.35	25.26
	08/01/2009(1)	1,652,000	–	(1,159,000)	(32,000)	461,000	9.34	25.26
	04/03/2010(2)	1,533,000	–	–	(174,000)	1,359,000	22.80	N/A
	07/03/2011(2)	–	1,800,000	–	(151,000)	1,649,000	26.18	N/A
		4,518,000	1,800,000	(1,675,000)	(445,000)	4,198,000		

Notes:

(1) Share options were granted under the 1999 Share Option Scheme.

Share options granted on 04/01/2007 are exercisable during the period from 05/01/2009 to 04/01/2012.

Share options granted on 08/01/2009 are exercisable during the period from 09/01/2011 to 08/01/2014.

(2) Share options were granted under the 2009 Share Option Scheme.

Share options granted on 04/03/2010 are exercisable during the period from 05/03/2012 to 04/03/2015.

Share options granted on 07/03/2011 are exercisable during the period from 08/03/2013 to 07/03/2016.

(3) During the year ended 31 December 2011, no share options were cancelled.

(4) Consideration paid for each grant of share options was HK$1.00.

(5) The vesting period for the share options granted is 24 months from the date of grant.

(6) The closing price of the shares of the Company immediately before the date of grant of 7 March 2011, i.e. 4 March 2011 was HK$26.10.

Substantial Shareholders' Interests in Shares

As at 31 December 2011, the interests and short positions of the following persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

Name of Shareholders	Number of shares	Percentage of issued share capital[5]
HSBC International Trustee Limited	286,689,484[1]	45.57
Powermax Agents Limited[2]	154,947,717	24.63
Surewit Finance Limited[3]	43,877,919	6.97
Adscan Holdings Limited[4]	33,269,396	5.28

Notes:

(1) Among these shares held by HSBC International Trustee Limited ("HITL"), certain Directors of the Company have interests in the following manner:

   (i) 208,891,692 shares representing 33.20% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are beneficiaries.

   (ii) 74,634,227 shares representing 11.86% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.

(2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 154,947,717 shares held by it were among the shares referred to in Note (1)(i) above.

(3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 43,877,919 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is the sole director of this company.

(4) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, who is also a director of this company.

(5) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2011 of 629,067,272 shares and rounded down to 2 decimal places.

Save as disclosed above, as at 31 December 2011, no person (other than Directors of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 50 and 51) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to Acquire Shares or Debentures

Save and except the 1999 Share Option Scheme and 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Option Schemes" on pages 55 to 58 of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Major Customers and Suppliers

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases respectively.

Donations

During the year, donations made by the Group for charitable purposes amounted to HK$1,623,662.

Auditor

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on 10 May 2012.

Sufficiency of Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with all the code provisions as set out in the CG Code throughout the year under review, with the exception of a few deviations.

To uphold a high level of corporate governance standard, the Company has also early adopted part of the relevant code provisions and mandatory disclosures set out in the Revised CG Code.

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 33 to 46 of this Annual Report.

Corporate Social Responsibility

Corporate Social Responsibility has been integral to the Group's business ever since the Group's founding in 1963. Our commitment to Corporate Social Responsibility stems from a core belief that our business will prosper as the community and environment around us flourish. A full report on Corporate Social Responsibility is set out on pages 24 to 27 of this Annual Report.

On behalf of the Board
LO Ka Shui
Chairman and Managing Director

Hong Kong, 27 February 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF GREAT EAGLE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 146, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 February 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Revenue	7	4,746,336	4,694,155
Cost of goods and services		(3,182,040)	(2,888,798)
Operating profit before depreciation		1,564,296	1,805,357
Depreciation		(362,081)	(349,290)
Operating profit		1,202,215	1,456,067
Other income	9	197,756	197,922
Fair value changes on investment properties	17	678,688	571,775
Fair value changes on derivative financial instruments		(614,856)	458,437
Fair value changes on financial assets designated at fair value through profit or loss		–	16,039
Income from discounted payoff of borrowings		–	220,072
Administrative expenses		(222,569)	(226,149)
Impairment loss recognised in respect of a hotel property	16	(90,867)	–
Other expenses		(20,694)	(6,187)
Finance costs	10	(100,027)	(125,011)
Share of results of associates		3,375,756	2,259,180
Share of results of a jointly controlled entity		(9,032)	(7,167)
Profit before tax		4,396,370	4,814,978
Income taxes	11	(169,167)	(140,622)
Profit for the year attributable to owners of the Company	12	4,227,203	4,674,356
Earnings per share:			
Basic	15	HK$6.70	HK$7.51
Diluted	15	HK$6.57	HK$7.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year attributable to owners of the Company	4,227,203	4,674,356
Other comprehensive (expense) income:		
Fair value (losses) gain on available-for-sale investments	(19,280)	1,080,015
Exchange differences arising on translation of foreign operations	(19,782)	81,186
Surplus on revaluation of an owner occupied property upon change of use to investment property	–	23,109
Share of other comprehensive (expense) income of associates	(66,197)	66,344
Share of other comprehensive income of a jointly controlled entity	24,721	12,356
	(80,538)	1,263,010
Total comprehensive income for the year attributable to owners of the Company	4,146,665	5,937,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	16	**10,140,331**	10,409,396	9,875,148
Investment properties	17	**4,879,376**	4,192,297	3,651,711
Interests in associates	19	**16,460,751**	13,377,171	71,543
Deposit for acquisition of leasehold land		**–**	–	591,000
Interest in a jointly controlled entity	20	**653,490**	525,301	–
Available-for-sale investments	21	**92,775**	103,660	8,083,050
Investment in convertible bonds	22	**2,834,389**	3,309,997	2,721,509
Notes receivable	23	**77,697**	174,047	223,413
Restricted cash	24	**12,295**	–	61,521
Financial assets designated at fair value through profit or loss	25	**–**	–	77,551
		35,151,104	32,091,869	25,356,446
Current assets				
Inventories	26	**95,240**	77,398	65,774
Debtors, deposits and prepayments	27	**423,417**	395,749	339,765
Financial assets designated at fair value through profit or loss	25	**–**	77,740	340,634
Notes receivable	23	**96,251**	55,819	204,118
Bank balances and cash	24	**2,439,288**	1,553,444	1,859,563
		3,054,196	2,160,150	2,809,854
Current liabilities				
Creditors, deposits and accruals	29	**817,682**	755,359	635,920
Derivative financial instruments	30	**903**	362	591
Provision for taxation		**70,833**	87,701	66,145
Borrowings due within one year	31	**2,585,306**	798,318	467,040
Unsecured bank overdrafts		**–**	–	9,331
		3,474,724	1,641,740	1,179,027
Net current (liabilities) assets		**(420,528)**	518,410	1,630,827
Total assets less current liabilities		**34,730,576**	32,610,279	26,987,273
Non-current liabilities				
Derivative financial instruments	30	**131**	–	–
Borrowings due after one year	31	**808,862**	2,685,950	4,037,328
Deferred taxation	32	**332,461**	279,199	247,211
		1,141,454	2,965,149	4,284,539
NET ASSETS		**33,589,122**	29,645,130	22,702,734

	Notes	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Equity				
Share capital	33	314,533	311,404	310,913
Treasury shares	33	(4,583)	–	–
Share premium and reserves		33,279,172	29,333,726	22,391,821
TOTAL EQUITY		33,589,122	29,645,130	22,702,734

The consolidated financial statements on pages 63 to 146 were approved and authorised for issue by the Board of Directors on 27 February 2012 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

LO Kai Shui
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current asset			
Investment in a subsidiary	18	**1,572,734**	1,572,734
Current assets			
Prepayments		**283**	263
Amount due from a subsidiary	28	**22,045,847**	22,147,472
Bank balances and cash		**4,813**	4,234
		22,050,943	22,151,969
Current liability			
Accruals		**(6,028)**	(5,319)
Net current assets		**22,044,915**	22,146,650
NET ASSETS		**23,617,649**	23,719,384
Equity			
Share capital		**314,533**	311,404
Treasury shares		**(4,583)**	–
Reserves	34	**23,307,699**	23,407,980
TOTAL EQUITY		**23,617,649**	23,719,384

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010 (as previously stated)	310,913	–	3,739,100	(2,346,769)	–	1,650	402,540	(3,470)	31,919	–	20,181,221	22,317,104
Prior year adjustments in respect of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	385,630	385,630
At 1 January 2010 (restated)	310,913	–	3,739,100	(2,346,769)	–	1,650	402,540	(3,470)	31,919	–	20,566,851	22,702,734
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	–	4,674,356	4,674,356
Fair value gain on available-for-sale investments	–	–	–	1,080,015	–	–	–	–	–	–	–	1,080,015
Surplus on revaluation of an owner occupied property upon change of use to investment property	–	–	–	–	23,109	–	–	–	–	–	–	23,109
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	81,186	–	–	–	81,186
Share of other comprehensive income of associates	–	–	–	–	–	–	–	93	–	66,251	–	66,344
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	12,356	–	–	–	12,356
Total comprehensive income for the year (restated)	–	–	–	1,080,015	23,109	–	–	93,635	–	66,251	4,674,356	5,937,366
Dividend paid	–	–	–	–	–	–	–	–	–	–	(336,269)	(336,269)
Shares issued at premium	491	–	23,336	–	–	–	–	–	(5,674)	–	–	18,153
Share issue expenses	–	–	(8)	–	–	–	–	–	–	–	–	(8)
Release upon reclassification to interests in associates	–	–	–	1,309,822	–	–	–	–	–	–	–	1,309,822
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	13,332	–	–	13,332
At 31 December 2010 (restated)	311,404	–	3,762,428	43,068	23,109	1,650	402,540	90,165	39,577	66,251	24,904,938	29,645,130
Profit for the year	–	–	–	–	–	–	–	–	–	–	4,227,203	4,227,203
Fair value losses on available-for-sale investments	–	–	–	(19,280)	–	–	–	–	–	–	–	(19,280)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(19,782)	–	–	–	(19,782)
Share of other comprehensive income (expense) of associates	–	–	–	–	–	–	–	54	–	(66,251)	–	(66,197)
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	24,721	–	–	–	24,721
Total comprehensive income for the year	–	–	–	(19,280)	–	–	–	4,993	–	(66,251)	4,227,203	4,146,665
Dividend paid	–	–	–	–	–	–	–	–	–	–	(370,315)	(370,315)
Shares issued at premium	4,533	–	209,187	–	–	–	–	–	(14,282)	–	–	199,438
Share issue expenses	–	–	(59)	–	–	–	–	–	–	–	–	(59)
Shares repurchased and cancelled	(1,404)	–	(43,240)	–	–	1,404	(1,575)	–	–	–	–	(44,815)
Treasury shares	–	(4,583)	–	–	–	–	–	–	–	–	–	(4,583)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	17,661	–	–	17,661
At 31 December 2011	314,533	(4,583)	3,928,316	23,788	23,109	3,054	400,965	95,158	42,956	–	28,761,826	33,589,122

Note: Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Operating activities			
Profit before tax		4,396,370	4,814,978
Adjustments for:			
Share of results of associates		(3,375,756)	(2,259,180)
Share of results of a jointly controlled entity		9,032	7,167
Fitting-out works of hotel building written off		–	4,094
(Gain) loss on disposal of property, plant and equipment		(16)	1,544
Management service income from Champion Real Estate Investment Trust ("Champion REIT")		(112,485)	(113,063)
Income from discounted payoff of borrowings		–	(220,072)
Interest income		(191,311)	(177,190)
Interest expense		91,983	111,516
Dividends received from listed available-for-sale investments		(3,043)	(599,495)
Allowance for doubtful debts, net		2,343	549
Depreciation		362,081	349,290
Recognition of share based payments		17,661	13,332
Fair value changes on investment properties		(678,688)	(571,775)
Fair value changes on derivative financial instruments		614,856	(458,437)
Fair value changes on financial assets designated at fair value through profit or loss		–	(16,039)
Impairment loss recognised in respect of a hotel property	16	90,867	–
Operating cash flows before movements in working capital		1,223,894	887,219
Increase in inventories		(17,842)	(11,624)
Increase in debtors, deposits and prepayments		(25,428)	(104,916)
Increase in creditors, deposits and accruals		63,716	131,303
Cash generated from operations		1,244,340	901,982
Hong Kong Profits Tax paid		(101,677)	(90,295)
Other jurisdictions tax paid		(27,072)	(3,084)
Hong Kong Profits Tax refunded		121	15
Net cash from operating activities		1,115,712	808,618

	Note	2011 HK$'000	2010 HK$'000 (restated)
Investing activities			
Interest received		51,813	49,132
Dividends received from listed available-for-sale investments		3,043	469,863
Dividends received from associates		554,465	5,004
Additions of investment properties		(11,714)	(4,797)
Additions of property, plant and equipment		(210,607)	(748,269)
Additions of notes receivable		–	(424,922)
Additions of financial assets designated at fair value through profit or loss		(147,466)	(28,842)
Additions of available-for-sale investments		(8,395)	(1,493)
Investment in an associate		–	(189,198)
Advances to associates		(219,661)	–
Investment in a jointly controlled entity		(112,500)	(224,612)
Proceeds on disposal of investment properties		–	11,864
Proceeds on disposal of property, plant and equipment		116	74
Proceeds on redemption of notes receivable		56,658	626,984
Proceeds on disposal of financial assets designated at fair value through profit or loss		225,390	250,762
Proceeds on disposal of a subsidiary	20	–	295,500
(Increase) decrease in restricted cash		(12,295)	61,521
Net cash from investing activities		168,847	148,571
Financing activities			
Interest paid		(95,477)	(101,292)
Issue of shares		41,397	15,896
Repurchase of shares		(49,398)	–
New bank loans raised		1,854,541	–
Repayments of bank loans		(1,940,061)	(838,344)
Dividends paid to shareholders		(212,331)	(334,019)
Net cash used in financing activities		(401,329)	(1,257,759)
Net increase (decrease) in cash and cash equivalents		883,230	(300,570)
Effect of foreign exchange rates changes		2,614	3,782
Cash and cash equivalents at the beginning of the year		1,553,444	1,850,232
Cash and cash equivalents at the end of the year		2,439,288	1,553,444
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		2,439,288	1,553,444

1. General

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section set out in the annual report.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development and investment, hotel and restaurant operations, manager of real estate investment trust, trading of building materials, share investment, provision of management and maintenance services, property management and fitness centre operations.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification to Rights Issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date)

The Group has applied amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties and those of its associates that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The application of the amendments has resulted in the Group's deferred tax liabilities being decreased by HK$385,630,000 and HK$480,476,000 as at 1 January 2010 and 31 December 2010, respectively, and the Group's interests in associates being increased by HK$400,297,000 as at 31 December 2010, with the corresponding adjustment being recognised in retained profits. In addition, the application has resulted in the Group's income tax expense for the year ended 31 December 2010 being decreased by HK$94,846,000, share of results of associates being increased by HK$400,297,000 and profit for the year ended 31 December 2010 being increased by HK$495,143,000.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date) (continued)

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in the Group's income tax expense for the year ended 31 December 2011 being reduced by HK$96,860,000, share of results of associates for the year ended 31 December 2011 being increased by HK$395,287,000 and profit for the year ended 31 December 2011 being increased by HK$492,147,000.

Summary of the effect of the changes in accounting policies

The effect of the above change in accounting policy described above on the results for the current and prior period by line items presented in the consolidated income statement is as follows:

	2011 HK$'000	2010 HK$'000
Decrease in income tax expense of the Group	96,860	94,846
Increase in share of results of associates	395,287	400,297
Increase in profit for the year	492,147	495,143

	2011 HK$	2010 HK$
Impact on basic earnings per share		
Basic earnings per share before adjustment	5.92	6.71
Adjustment in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	0.78	0.80
Reported/restated basic earnings per share	6.70	7.51
Impact on diluted earnings per share		
Diluted earnings per share before adjustment	5.79	6.69
Adjustment in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	0.77	0.79
Adjustment in relation to application of amendments to HKAS 12 in respect of share of profit of an associate based on dilution of its earnings per share	0.01	–
Reported/restated diluted earnings per share	6.57	7.48

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date) (continued)

Summary of the effect of the changes in accounting policies (continued)

The effect of the above change in accounting policy on the financial positions of the Group as at 31 December 2010 and 1 January 2010 are as follows:

	31 December 2010 (originally stated) HK$'000	Adjustments HK$'000	31 December 2010 (restated) HK$'000
Interests in associates	12,976,874	400,297	13,377,171
Deferred taxation	(759,675)	480,476	(279,199)
Total effects on net assets	12,217,199	880,773	13,097,972
Retained profits, total effects on equity	24,024,165	880,773	24,904,938

	1 January 2010 (originally stated) HK$'000	Adjustments HK$'000	1 January 2010 (restated) HK$'000
Total effects on net assets			
Deferred taxation	(632,841)	385,630	(247,211)
Retained profits, total effects on equity	20,181,221	385,630	20,566,851

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's investment in convertible bonds, of which its straight debt receivable is measured at amortised cost at the end of the reporting period in accordance with HKAS 39. Regarding the Group's investment in convertible bonds and other financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK (SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements.

In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. In addition, the Directors are in the process of assessing the impact of the application of these standards on the results and financial position of the Group particularly in respect of its interest in a principal associate.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new standard may affect the measurement of the fair value reported in the consolidated financial statements and will result in more extensive disclosures in the consolidated financial statements.

For other new and revised standards, amendments or interpretations, the Directors anticipate that their application will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Loss of control of a subsidiary

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investment in a subsidiary

Investment in a subsidiary is included in the Company’s statement of financial position at cost less any identified impairment loss.

3. Significant accounting policies (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where the Group's investment in an associate previously classified as available-for-sale investment or held-for-trading financial assets (accounted for in accordance with HKAS 39), their carrying amounts when significant influence is achieved become the deemed cost of such investment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant accounting policies (continued)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant lease. Lease incentives provided to the leasees are amortised on a straight-line basis over the respective term of the lease.

Hotel operation income is recognised upon the provision of services and the utilisation by guests of the hotel facilities.

Building management service income is recognised when building management services are provided.

Management service income is recognised when management services are provided and the threshold of net property income of Champion REIT as stipulated in the deed of trust constituting Champion REIT is reached.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments including financial assets at fair value through profit or loss and listed available-for-sale investment are recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Service income is recognised when services are provided.

Sales of goods are recognised when goods are delivered and title has passed.

Agency commission income is recognised when services are rendered.

Membership fee is recognised as revenue on a straight-line basis over the membership period.

3. Significant accounting policies (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Property, plant and equipment

Property, plant and equipment including owner occupied land and buildings held for use in the supply of services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Freehold land are stated at cost less accumulated impairment loss.

Leasehold land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than properties under construction and freehold land) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Owner occupied properties and hotel buildings	Over the shorter of the term of the lease or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated income statement in the year in which the item is derecognised.

3. Significant accounting policies (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered the service entitling them to the contributions.

3. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets designated at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial asset designated at fair value through profit or loss

Financial assets classified as at FVTPL include financial assets held-for-trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial asset designated at fair value through profit or loss (continued)

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including straight debt receivable in investment in convertible bonds, notes receivable, amount due from a subsidiary, amounts due from associates, debtors, restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale listed equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Investment in convertible bonds

The Group's investment in convertible bonds that contain both a debt receivable component and embedded derivative are classified separately into the respective items on initial recognition and initially recognised at their fair values. In subsequent periods, the debt receivable component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivative is measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors and borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives that do not qualify for hedge accounting are deemed as financial assets held-for-trading or financial liabilities held-for-trading. They are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. Changes in fair values of such derivatives are recognised directly in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, for share options with non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional valuers.

In determining the fair value of investment properties situated in Hong Kong, the valuer has used income capitalisation method which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period.

In determining the fair value of investment properties situated in the United States of America ("USA"), the valuer has used discounted cash flow method which involves estimates of future cash flow supported by the terms of any existing lease and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions.

Fair values of embedded derivatives in investment in convertible bonds

For embedded derivatives in investment in convertible bonds as described in note 22, assumptions are made based on market data such as historical volatility of Champion REIT's unit prices for the valuation determined by an independent professional valuer. The Directors have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

Estimated impairment of a hotel property

At the end of the reporting period, the Group determined that a hotel property located in the USA is impaired as its recoverable amount is estimated to be less than its carrying value. The determination of the recoverable amount of the hotel property requires estimating the future cash flows expected to arise and suitable discount rates in order to calculate its present value. Where the actual future cash flow is less than expected, further material impairment losses may arise. At 31 December 2011, the recoverable amount of the hotel property located in the USA is estimated to be HK$699,273,000 and the carrying amount of the hotel building before impairment losses is HK$790,140,000, resulting in impairment loss of HK$90,867,000 recognised in the consolidated income statement.

5. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investments, investment in convertible bonds, notes receivable, amount due from a subsidiary, amounts due from associates, trade debtors, financial assets designated at FVTPL, restricted cash, bank balances and cash, trade creditors, derivative financial instruments and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Interest rate risk

Interest rate risk management

The Group's fair value interest rate risk relates to fixed-rate short term bank deposits, unsecured bonds and medium term notes for the first six months to twelve months starting from the issue date included in notes receivable, straight debt receivable in investment in convertible bonds and fixed rate bank and other borrowings. The Group's exposure to cash flow interest rate risk is resulted primarily from fluctuations in interest rates on medium term notes included in notes receivable and variable rate borrowings.

The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from the medium term notes included in notes receivable and variable rate borrowings.

The interest rate and terms of straight debt receivable in investment in convertible bonds, notes receivable, bank balances and borrowings for the Group are set out in notes 22, 23, 24 and 31, respectively.

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period. The effect on notes receivable is not included in the sensitivity analysis as the impact is insignificant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2010: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2011 would decrease/increase by HK$14,491,000 (2010: HK$14,926,000).

(ii) Currency risk

The Group has certain bank deposits and notes receivable that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign exchange derivative contracts.

Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011 HK$'000	2010 HK$'000	**2011** HK$'000	2010 HK$'000
Pound Sterling	**113,788**	42,218	**–**	431
United States dollars	**284,111**	261,662	**4,191**	2,600
Euro dollars	**6,401**	2,290	**238**	6
Australian dollars	**198,415**	133,782	**–**	–
New Zealand dollars	**60,030**	749	**–**	–
Canadian dollars	**140,787**	–	**–**	–

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% (2010: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US dollars, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis below. 10% (2010: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2010: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2010: 10%) against the relevant currency. For a 10% (2010: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit before tax, and the balances below would be negative.

	2011 **HK$'000**	2010 HK$'000
Pound Sterling	**11,379**	4,222
Euro dollars	**616**	229
Australian dollars	**19,842**	13,378
New Zealand dollars	**6,003**	75
Canadian dollars	**14,079**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group's listed available-for-sale investments and embedded derivatives in investment in convertible bonds are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arises.

Other price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed available-for-sale investments had been 10% (2010: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$6,520,000 (2010: HK$8,388,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

If the volatility of unit price of Champion REIT to the valuation model of embedded derivatives in investment in convertible bonds had been 5% (2010: 5%) higher/lower while all other variables were held constant, the profit before tax for the year ended 31 December 2011 would increase/decrease by HK$11,004,000/HK$12,928,000 (2010: increase/decrease by HK$17,156,000/HK$17,605,000) as a result of the changes in fair value of embedded derivatives in investment in convertible bonds.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, maintain sufficient availability of banking facilities and ensure compliance with loan covenants.

At 31 December 2011, the Group's net current liabilities were HK$420,528,000, which was resulted from secured bank and other loans of HK$2,585,306,000 at 31 December 2011 falling due within one year after the end of the reporting period. The Directors consider that these borrowings can be renewed on the strength of the Group's earnings and asset base so that the Group will have adequate sources of funding to finance its activities and liquidity.

6. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

	Interest rate	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Over 3 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
THE GROUP										
2011										
Non-interest bearing	–	314,045	–	–	–	–	–	–	314,045	314,045
Fixed interest rate instruments	3.84% to 6.09%	5,855	5,855	11,703	123,543	21,895	21,889	373,446	564,186	496,012
Variable interest rate instruments	0.64% to 5.88%	26,580	486,207	2,098,951	157,567	31,911	31,470	100,000	2,932,686	2,898,156
		346,480	492,062	2,110,654	281,110	53,806	53,359	473,446	3,810,917	3,708,213
2010										
Non-interest bearing	–	300,108	–	–	–	–	–	–	300,108	300,108
Fixed interest rate instruments	4.91% to 6.09%	137,232	370,349	–	–	–	–	–	507,581	499,013
Variable interest rate instruments	1.41% to 5.96%	43,242	262,880	63,276	2,620,678	128,392	–	–	3,118,468	2,985,255
		480,582	633,229	63,276	2,620,678	128,392	–	–	3,926,157	3,784,376

6. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments based on their contractual maturities. For derivative financial instruments settled on a gross basis, undiscounted cash inflows and outflows are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
THE GROUP					
2011					
Derivatives gross settlement					
Currency forward contracts					
– inflow	**5,164**	**2,719**	**3,427**	**1,317**	**12,627**
– outflow	**(5,566)**	**(2,832)**	**(3,815)**	**(1,448)**	**(13,661)**
	(402)	**(113)**	**(388)**	**(131)**	**(1,034)**
2010					
Derivatives gross settlement					
Currency forward contracts					
– inflow	–	316	4,412	–	4,728
– outflow	–	(340)	(4,750)	–	(5,090)
	–	(24)	(338)	–	(362)

(c) Credit risk

The Group's and the Company's principal financial assets are available-for-sale investments, investment in convertible bonds, notes receivable, amount due from a subsidiary, amounts due from associates, trade debtors and bank balances and cash. The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds and notes receivable are limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's and the Company's credit risk is primarily attributable to its available-for-sale investments, investment in convertible bonds, amount due from a subsidiary, amounts due from associates and trade debtors. The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

6. Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors and investment in convertible bonds at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on the Company's amount due from a subsidiary, the Group's investment in convertible bonds issued by Champion REIT and notes receivable from financial institutions with high credit-ratings assigned by international credit-rating agencies, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Categories of financial instruments

	THE GROUP	
	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables		
Trade debtors	**293,327**	267,542
Other receivables	**45,829**	45,280
Notes receivable	**173,948**	229,866
Amounts due from associates	**231,738**	12,077
Straight debt receivable in investment in convertible bonds	**2,689,753**	2,551,177
Restricted cash	**12,295**	–
Bank balances and cash	**2,439,288**	1,553,444
	5,886,178	4,659,386
Financial assets at FVTPL		
Embedded derivatives in investment in convertible bonds	**144,636**	758,820
Designated as at FVTPL	**–**	77,740
	144,636	836,560
Available-for-sale financial assets		
Available-for-sale investments	**92,775**	103,660

6. Financial risk management objectives and policies (continued)

(d) Categories of financial instruments (continued)

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	**152,455**	164,558
Other payables	**161,590**	135,550
Borrowings	**3,394,168**	3,484,268
	3,708,213	3,784,376
Financial liabilities at fair value through profit or loss		
Derivative financial instruments classified as held-for-trading	**1,034**	362

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
Amount due from a subsidiary	**22,045,847**	22,147,472
Bank balances and cash	**4,813**	4,234
	22,050,660	22,151,706

(e) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of listed available-for-sale investments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted closing prices.

– the fair values of structured note designated at FVTPL and derivative financial instruments are determined using valuation provided by counterparty financial institutions and banks. For embedded derivatives in investment in convertible bonds, their fair values are determined based on the Binomial model using the assumptions that are supported by observable market data.

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

6. Financial risk management objectives and policies (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2011				
Financial assets at FVTPL				
Embedded derivatives in investment in convertible bonds	–	–	144,636	144,636
Available-for-sale financial assets				
Available-for-sale investments	65,200	–	–	65,200
	65,200	–	144,636	209,836
Financial liabilities at FVTPL				
Derivative financial instruments classified as held-for-trading	–	1,034	–	1,034
2010				
Financial assets at FVTPL				
Embedded derivatives in investment in convertible bonds	–	–	758,820	758,820
Designated at FVTPL	–	–	77,740	77,740
Available-for-sale financial assets				
Available-for-sale investments	83,879	–	–	83,879
	83,879	–	836,560	920,439
Financial liabilities at FVTPL				
Derivative financial instruments classified as held-for-trading	–	362	–	362

There were no transfers between Levels 1 and 2 in the current year.

6. Financial risk management objectives and policies (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

Reconciliation of Level 3 fair value measurement of financial assets

	Designated at FVTPL HK$'000	Embedded derivatives in investment in convertible bonds HK$'000	Total HK$'000
At 1 January 2010	297,889	300,612	598,501
Purchase during the year	28,842	–	28,842
Settlement during the year	(250,761)	–	(250,761)
Change in fair value recognised in profit or loss	–	458,208	458,208
Exchange adjustments	1,770	–	1,770
At 31 December 2010	77,740	758,820	836,560
Purchase during the year	147,466	–	147,466
Settlement during the year	(225,390)	–	(225,390)
Change in fair value recognised in profit or loss	–	(614,184)	(614,184)
Exchange adjustments	184	–	184
At 31 December 2011	–	144,636	144,636

The above change in fair value is included in "fair value changes on derivative financial instruments" in the consolidated income statement.

7. Revenue

Revenue represents the aggregate of gross rental income, building management service income, income from hotel operations, proceeds from sales of building materials, dividend income from investments, property management and maintenance income, management service income received as a manager of real estate investment trust, property agency commission and income from fitness centre and restaurant operations.

	2011 HK$'000	2010 HK$'000
Property rental income	**275,562**	264,975
Building management service income	**19,713**	19,158
Hotel income	**3,862,001**	3,269,365
Sales of goods	**124,338**	103,098
Dividend income	**3,043**	599,495
Management service income earned as a manager of real estate investment trust	**187,474**	181,042
Others	**274,205**	257,022
	4,746,336	4,694,155

8. Segment information

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. The Group's operating and reportable segments under HKFRS 8 are as follows:

Property investment — gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.

Hotel operation — hotels accommodation, food and banquet operations.

Income from Champion REIT — management service income for acting as the manager of Champion REIT, dividend income from Champion REIT up to 23 July 2010 and provision of property management service to Champion REIT.

Other operations — sales of building materials, restaurant operation, fitness centre operation, investment in securities, provision of property management, maintenance and property agency services.

Segment results represent the results by each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, directors' salaries, share of results of associates, share of results of a jointly controlled entity, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets designated at FVTPL, income from discounted payoff of borrowings, impairment loss recognised in respect of a hotel property, finance costs and income taxes. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. Segment information (continued)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

2011

Segment revenue and results

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External revenue	295,275	3,862,001	264,295	324,765	–	4,746,336
Inter-segment revenue	2,329	–	–	9,680	(12,009)	–
Total	297,604	3,862,001	264,295	334,445	(12,009)	4,746,336

Inter-segment revenue are charged at a mutually agreed price and are recognised when services are provided.

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS						
Segment results	176,013	1,018,989	232,227	244,109		1,671,338
Other corporate income						16,278
Centralised corporate expenses						(168,827)
Depreciation						(362,081)
Fair value changes on investment properties						678,688
Fair value changes on derivative financial instruments						(614,856)
Impairment loss recognised in respect of a hotel property						(90,867)
Finance costs						(100,027)
Share of results of associates						3,375,756
Share of results of a jointly controlled entity						(9,032)
Profit before tax						4,396,370
Income taxes						(169,167)
Profit for the year attributable to owners of the Company						4,227,203

8. Segment information (continued)

2011 (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:					
Interest income on investment in convertible bonds	–	–	–	161,976	161,976
Interest income on notes receivable	–	–	–	6,270	6,270

Amounts regularly provided to the chief operating decision maker in segment reporting:

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Addition to non-current assets (note)	9,395	191,955	–	21,000	222,350

Note: Non-current assets excluded financial instruments, interests in associates and interest in a jointly controlled entity.

8. Segment information (continued)

2010

Segment revenue and results

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000 (restated)
REVENUE						
External revenue	284,133	3,269,365	858,920	281,737	–	4,694,155
Inter-segment revenue	20,980	–	–	11,501	(32,481)	–
Total	305,113	3,269,365	858,920	293,238	(32,481)	4,694,155

Inter-segment revenue are charged at a mutually agreed price and are recognised when services are provided.

RESULTS						
Segment results	172,708	657,589	830,161	244,620		1,905,078
Other corporate income						223,044
Centralised corporate expenses						(137,107)
Depreciation						(349,290)
Fair value changes on investment properties						571,775
Fair value changes on derivative financial instruments						458,437
Fair value changes on financial assets designated at fair value through profit or loss						16,039
Finance costs						(125,011)
Share of results of associates						2,259,180
Share of results of a jointly controlled entity						(7,167)
Profit before tax						4,814,978
Income taxes						(140,622)
Profit for the year attributable to owners of the Company						4,674,356

8. Segment information (continued)

2010 (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:					
Interest income on investment in convertible bonds	–	–	–	153,680	153,680
Interest income on notes receivable	–	–	–	15,570	15,570

Amounts regularly provided to the chief operating decision maker in segment reporting:

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Addition to non-current assets (note)	4,670	735,931	–	–	740,601

Note: Non-current assets excluded financial instruments, interests in associates and interest in a jointly controlled entity.

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

8. Segment information (continued)

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia and New Zealand.

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers, except for property investment and hotel operations which are based on the geographical location of the properties, and information about the carrying amount of non-current assets excluding financial instruments, interests in associates and interest in a jointly controlled entity by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2011 HK$'000	2010 HK$'000	**2011** HK$'000	2010 HK$'000
Hong Kong	**2,200,410**	2,527,105	**8,405,466**	7,938,482
The USA	**692,674**	636,027	**2,679,661**	2,636,186
Canada	**565,497**	504,461	**773,735**	824,758
The United Kingdom	**519,267**	417,961	**1,917,655**	1,951,302
Australia	**427,039**	372,623	**821,557**	824,606
New Zealand	**274,086**	186,326	**421,104**	425,860
Others	**67,363**	49,652	**529**	499
	4,746,336	4,694,155	**15,019,707**	14,601,693

9. Other income

	2011 HK$'000	2010 HK$'000
Interest income on:		
Bank deposits	**23,065**	7,940
Investment in convertible bonds (note 22)	**161,976**	153,680
Notes receivable	**6,270**	15,570
	191,311	177,190
Net exchange gain	**–**	14,003
Gain on disposal of property, plant and equipment	**16**	–
Sundry income	**6,429**	6,729
	197,756	197,922

10. Finance costs

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings wholly repayable within five years	57,003	70,409
Interest on other loans wholly repayable within five years	34,980	41,107
Other borrowing costs	8,044	13,495
	100,027	125,011

11. Income taxes

	2011 HK$'000	2010 HK$'000 (restated)
Current tax:		
Current year:		
Hong Kong Profits Tax	78,266	89,308
Other jurisdictions	22,294	26,051
	100,560	115,359
Under(over)provision in prior years:		
Hong Kong Profits Tax	10,239	308
Other jurisdictions	1,689	(492)
	11,928	(184)
	112,488	115,175
Deferred tax (note 32):		
Current year	48,561	27,893
Under(over)provision in prior years	8,118	(2,446)
	56,679	25,447
	169,167	140,622

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. Income taxes (continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Profit before tax	**4,396,370**	4,814,978
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**725,401**	794,471
Tax effect of expenses that are not deductible for tax purpose	**111,700**	30,761
Tax effect of income that is not taxable for tax purpose	**(133,660)**	(300,242)
Under(over)provision in prior years	**20,046**	(2,630)
Tax effect of share of results of associates	**(557,000)**	(372,765)
Tax effect of share of results of a jointly controlled entity	**1,490**	1,183
Tax effect of tax losses not recognised	**15,178**	16,087
Utilisation of tax losses previously not recognised	**(34,203)**	(27,872)
Utilisation of deductible temporary differences previously not recognised	**–**	(17,686)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**26,193**	26,881
Others	**(5,978)**	(7,566)
Tax charge for the year	**169,167**	140,622

12. Profit for the year attributable to owners of the Company

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year attributable to owners of the Company has been arrived at after charging:		
Staff costs (including directors' emoluments)	1,611,125	1,413,866
Share based payments (including directors' emoluments)	17,661	13,332
	1,628,786	1,427,198
Depreciation	362,081	349,290
Auditor's remuneration	6,122	8,163
Allowance for doubtful debts (included in other expenses)	2,343	549
Fitting-out works of hotel building written off (included in other expenses)	–	4,094
Operating lease payments on rented premises	28,505	47,886
Cost of inventories recognised as an expense	496,463	422,834
Share of tax of associates (included in the share of result of associates)	99,402	33,147
Loss on disposal of property, plant and equipment	–	1,544
Net exchange loss	18,352	–
and after crediting:		
Gain on disposal of property, plant and equipment	16	–
Net exchange gain	–	14,003
Dividend income from listed investments:		
– Champion REIT	–	596,955
– Others	3,043	2,540
	3,043	599,495
Rental income from investment properties less related outgoings of HK$99,795,000 (2010: HK$85,926,000)	175,767	179,049

13. Directors' and employees' emoluments

The emoluments paid or payable to each of the twelve (2010: twelve) directors were as follows:

	2011					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	130	–	–	–	–	130
Dr. LO Ka Shui	130	7,917	2,080	4,421	312	14,860
Mr. LO Kai Shui	130	1,371	263	715	63	2,542
Mr. CHENG Hoi Chuen, Vincent	420	–	–	–	–	420
Professor WONG Yue Chim, Richard	380	–	–	–	–	380
Mrs. LEE Pui Ling, Angelina	380	–	–	–	–	380
Mr. Zhu Qi	290	–	–	–	–	290
Mr. LO Hong Sui, Antony	130	1,217	253	997	61	2,658
Madam LAW Wai Duen	130	492	102	714	24	1,462
Mr. LO Hong Sui, Vincent	130	–	–	–	–	130
Dr. LO Ying Sui	130	–	–	–	–	130
Mr. KAN Tak Kwong	130	4,560	1,026	1,705	228	7,649
	2,510	15,557	3,724	8,552	688	31,031

	2010					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	120	–	–	–	–	120
Dr. LO Ka Shui	120	5,153	1,187	3,161	178	9,799
Mr. LO Kai Shui	120	1,324	204	552	61	2,261
Mr. CHENG Hoi Chuen, Vincent	380	–	–	–	–	380
Professor WONG Yue Chim, Richard	340	–	–	–	–	340
Mrs. LEE Pui Ling, Angelina	340	–	–	–	–	340
Mr. Zhu Qi	270	–	–	–	–	270
Mr. LO Hong Sui, Antony	120	1,175	220	729	59	2,303
Madam LAW Wai Duen	120	477	80	532	24	1,233
Mr. LO Hong Sui, Vincent	120	–	–	–	–	120
Dr. LO Ying Sui	120	–	–	–	–	120
Mr. KAN Tak Kwong	120	3,423	1,141	1,104	171	5,959
	2,290	11,552	2,832	6,078	493	23,245

13. Directors' and employees' emoluments (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	13,694	11,185
Discretionary bonuses	1,998	1,650
Share options	1,084	784
Retirement benefits scheme contributions	755	625
	17,531	14,244

	2011 Number of employees	2010 Number of employees
Bands:		
HK$4,000,001 – HK$4,500,000	–	2
HK$4,500,001 – HK$5,000,000	1	–
HK$5,500,001 – HK$6,000,000	–	1
HK$6,000,001 – HK$6,500,000	1	–
HK$6,500,001 – HK$7,000,000	1	–
	3	3

14. Dividends

	2011 HK$'000	2010 HK$'000
Dividends paid:		
– Final dividend of HK38 cents in respect of the financial year ended 31 December 2010 (2010: HK35 cents in respect of the financial year ended 31 December 2009) per ordinary share	**237,625**	217,938
– Interim dividend of HK21 cents in respect of the financial year ended 31 December 2011 (2010: HK19 cents in respect of the financial year ended 31 December 2010) per ordinary share	**132,690**	118,331
	370,315	336,269

On 17 June 2011, a final dividend of HK38 cents (2010: final dividend of HK35 cents) per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2010. The scrip dividend alternatives were accepted by the shareholders as follows:

	2011 HK$'000	2010 HK$'000
Dividends		
Cash	**79,641**	215,687
Share alternative	**157,984**	2,251
	237,625	217,938

	2011 HK$'000	2010 HK$'000
Dividends proposed:		
– Proposed final dividend of HK40 cents in respect of the financial year ended 31 December 2011 (2010: HK38 cents in respect of the financial year ended 31 December 2010) per ordinary share	**251,627**	236,668

The proposed final dividend in respect of the financial year ended 31 December 2011 is subject to approval by the shareholders in the forthcoming annual general meeting.

15. Earnings per share

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

	2011 HK$'000	2010 HK$'000 (restated)
Earnings		
Earnings for the purpose of basic earnings per share	4,227,203	4,674,356
Effect of dilutive potential shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share (note)	(79,018)	(4,113)
Earnings for the purpose of diluted earnings per share	4,148,185	4,670,243
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	630,856,951	622,627,026
Effect of dilutive potential shares:		
Share options	914,329	1,665,431
Weighted average number of shares for the purpose of diluted earnings per share	631,771,280	624,292,457

Note: The adjustment to the share of profit of an associate represents the dilutive effects on assumed conversion of outstanding convertible bonds issued by Champion REIT.

16. Property, plant and equipment

	Freehold land HK$'000	Leasehold land HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
THE GROUP									
COST									
At 1 January 2010	1,297,343	2,350,420	9,017,815	–	89,755	733,849	3,545	23	13,492,750
Exchange adjustments	11,518	–	127,684	–	–	30,965	–	–	170,167
Additions	–	–	143,600	465,681	–	126,650	–	–	735,931
Transfer from investment properties	–	–	–	–	91,000	–	–	–	91,000
Transfer to investment properties	–	(1,002)	–	–	(45,641)	–	–	–	(46,643)
Disposals/written off	–	–	(6,694)	–	–	(13,935)	–	–	(20,629)
At 31 December 2010	1,308,861	2,349,418	9,282,405	465,681	135,114	877,529	3,545	23	14,422,576
Exchange adjustments	(6,029)	–	(33,040)	(264)	–	(7,722)	–	1	(47,054)
Additions	–	–	8,864	52,562	–	150,679	793	57	212,955
Disposals/written off	–	–	–	–	–	(14,210)	(756)	–	(14,966)
At 31 December 2011	1,302,832	2,349,418	9,258,229	517,979	135,114	1,006,276	3,582	81	14,573,511
DEPRECIATION AND IMPAIRMENT									
At 1 January 2010	190,293	644,007	2,235,747	–	15,210	529,261	3,061	23	3,617,602
Exchange adjustments	1,941	–	46,641	–	–	17,575	–	–	66,157
Charge for the year	–	44,768	186,935	–	4,519	112,868	200	–	349,290
Eliminated on transfer to investment properties	–	(213)	–	–	(4,739)	–	–	–	(4,952)
Eliminated on disposals/written off	–	–	(2,600)	–	–	(12,317)	–	–	(14,917)
At 31 December 2010	192,234	688,562	2,466,723	–	14,990	647,387	3,261	23	4,013,180
Exchange adjustments	(280)	–	(12,392)	–	–	(5,410)	–	–	(18,082)
Charge for the year	–	44,766	193,280	–	5,368	118,298	359	10	362,081
Impairment loss recognised in the consolidated income statement	25,870	–	63,600	–	–	1,397	–	–	90,867
Eliminated on disposals/written off	–	–	–	–	–	(14,110)	(756)	–	(14,866)
At 31 December 2011	217,824	733,328	2,711,211	–	20,358	747,562	2,864	33	4,433,180
CARRYING AMOUNTS									
At 31 December 2011	1,085,008	1,616,090	6,547,018	517,979	114,756	258,714	718	48	10,140,331
At 31 December 2010	1,116,627	1,660,856	6,815,682	465,681	120,124	230,142	284	–	10,409,396

16. Property, plant and equipment (continued)

At 31 December 2011, leasehold land with carrying amounts of HK$1,597,503,000 (2010: HK$1,642,109,000) and HK$18,587,000 (2010: HK$18,747,000) were situated in Hong Kong under medium-term and long-term leases, respectively, which are finance lease in nature. Freehold land was situated outside Hong Kong.

Owner occupied properties situated in Hong Kong are land and buildings held under long-term leases which are finance lease in nature.

At 31 December 2011 and 2010, the Directors conducted an impairment assessment on hotel properties. No recognition or reversal of impairment loss was made for the year ended 31 December 2010.

At 31 December 2011, the recoverable amount of a hotel property located in the USA was less than its carrying amount due to its economic performance was worse than previously expected. The impairment assessment review led to the recognition of an impairment loss of HK$90,867,000 in the consolidated income statement for the year ended 31 December 2011. The recoverable amount of the hotel property (comprising freehold land, hotel building and furniture and fixture) at 31 December 2011 was determined by value in use calculation which was estimated using the future cash flows expected to arise and suitable discount rate at 10.75%.

During the year ended 31 December 2010, a property with carrying value of HK$41,691,000 was transferred to investment properties due to change in use from owner occupation to earning rental from outsiders. At the date of change in use, the fair value of the property was HK$64,800,000, the excess of fair value over the carrying value of the property at that date of HK$23,109,000 was recognised in property revaluation reserve. In addition, investment properties with carrying value of HK$91,000,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation.

17. Investment properties

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
FAIR VALUE		
At 1 January	**4,192,297**	3,651,711
Exchange adjustments	**(1,004)**	2,205
Additions	**9,395**	4,670
Transfer from property, plant and equipment	**–**	64,800
Transfer to property, plant and equipment	**–**	(91,000)
Increase in fair value recognised in the consolidated income statement	**678,688**	571,775
Disposals	**–**	(11,864)
At 31 December	**4,879,376**	4,192,297

17. Investment properties (continued)

(a) The Group's property interests situated in Hong Kong of HK$3,880,970,000 (2010: HK$3,291,290,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties at 31 December 2011 and 2010 has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Savills Valuation and Professional Services Limited.

Investment properties in the USA – Cushman & Wakefield Western, Inc.

The valuations for investment properties were arrived at by using income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by property investors and applicable discount rates. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

(c) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside Hong Kong as follows:

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Long leases in Hong Kong	**3,691,970**	3,118,290
Medium-term leases in Hong Kong	**189,000**	173,000
Freehold land outside Hong Kong	**998,406**	901,007
	4,879,376	4,192,297

18. Investment in a subsidiary

	THE COMPANY	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**1,572,734**	1,572,734

Particulars regarding the subsidiary are set out in note 42.

19. Interests in associates

	THE GROUP	
	2011 HK$'000	2010 HK$'000 (restated)
Cost of investment in associates:		
Unlisted associates in Hong Kong	**12**	12
Unlisted associate in the People's Republic of China ("PRC") (note a)	**189,198**	189,198
Listed associates in Hong Kong:		
– investment in Champion REIT (note b)	**10,904,736**	10,795,911
– others	**2,596**	2,596
	10,907,332	10,798,507
Share of post acquisition profit and other comprehensive income, net of dividend received	**5,132,471**	2,377,377
	16,229,013	13,365,094
Amounts due from associates (note c)	**231,738**	12,077
	16,460,751	13,377,171
Fair value of listed associates	**7,606,225**	11,774,827

(a) On 19 August 2010, the Group completed an acquisition of one-third of the entire issued share capital of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited ("Shui On"), at a consideration of US$24,118,000 (equivalent to HK$188,120,000) pursuant to a sales and purchase agreement entered into on 1 April 2010 among an indirectly wholly owned subsidiary of the Company, the chairman and managing director of the Group and Shui On, a related company in which a director, who is also a close family member of the substantial shareholder of the Company (as defined in note 41) has controlling interest. MGIL indirectly holds a hotel under development in the Luwan District, Shanghai. Details of the sale and purchase agreement were disclosed in an announcement issued on 1 April 2010 and a circular dated 21 April 2010 pursuant to the Listing Rules.

(b) On 23 July 2010, Champion REIT announced that amendments have been made to the Trust Deed to comply with the revisions to the Code on Real Estate Investment Trusts published by The Securities and Future Commission of Hong Kong (the "REIT Code") on 25 June 2010. The Directors evaluated the amendments to the REIT Code and the Trust Deed, and concluded that the Group was able to exert significant influence on Champion REIT upon amendment to the Trust Deed in July 2010. Accordingly, the Group's holding of units issued by Champion REIT were reclassified to investment in an associate. During the year ended 31 December 2011, units of Champion REIT of HK$108,825,000 (2010: HK$59,311,000) was received by the Group as settlement of management service income by Champion REIT, accordingly, cost of investment in the associate was increased by the same amount.

19. Interests in associates (continued)

(c) The Group has further injected HK$218,523,000 to MGIL for funding the outstanding construction cost payable and bank loan obligations during the year ended 31 December 2011.

The amounts were unsecured, interest-free and has no fixed terms of repayment. The associates are not expected to repay within twelve months from the end of the reporting period and the balances are classified as non-current.

In determining whether there exist any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective evidence of impairment was identified. Accordingly, no impairment loss is recognised.

Particulars regarding the associates are set out in note 43.

The summarised financial information in respect of the Group's principal associate is set out below:

	2011 HK$'000	2010 HK$'000 (restated)
Total assets	**56,331,884**	52,435,559
Total liabilities	**(17,576,317)**	(19,293,652)
Net assets	**38,755,567**	33,141,907
Group's share of net assets of the principal associate	**15,945,899**	13,091,515
Revenue	**1,940,282**	805,822
Fair value changes on investment properties	**4,634,700**	2,567,985
Profit for the year	**6,492,970**	4,425,788
Other comprehensive income for the year	**122,372**	263,364
Group's share of results of the principal associate for the year	**3,356,217**	2,229,353
Group's share of other comprehensive income of the principal associate	**(66,251)**	66,251

20. Interest in a jointly controlled entity

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Cost of investment in a jointly controlled entity	**632,612**	520,112
Share of post acquisition results and other comprehensive income	**20,878**	5,189
	653,490	525,301

On 5 February 2010, a subscription and shareholders' agreement (the "Agreement") was signed between Queenbrook Investments Limited ("Queenbrook"), the immediate holding company of Wealth Joy Holdings Limited ("Wealth Joy"), and an independent third party investor (the "Investor") for jointly developing a parcel of land in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, PRC (the "Project"). Completion of the Agreement took place on 26 February 2010 and 50% of issued share capital of Wealth Joy was disposed to the Investor at a consideration of HK$295,500,000, which was equal to its share of net identifiable assets at the date of completion of the Agreement. Pursuant to the Agreement, the financial and operating policies of Wealth Joy require unanimous consent from the Group and the Investor. Since then, Wealth Joy became a jointly controlled entity ("JCE") of the Group. Each of the Group and the Investor had further injected capital of HK$112,500,000 (2010: HK$224,612,000) to the JCE for funding the development of the Project during the year ended 31 December 2011.

The Group's interest in the JCE amounted to HK$653,490,000 (2010: HK$525,301,000) as at 31 December 2011.

Particulars regarding the jointly controlled entity are set out in note 44.

The summarised financial information in respect of the Group's interest in the jointly controlled entity is set out below:

	2011	2010
	HK$'000	HK$'000
Current assets	**679,096**	588,603
Non-current assets	**700**	766
Current liabilities	**26,306**	64,068
Income recognised in profit or loss	**55**	23
Expenses recognised in profit or loss	**9,087**	7,190
Other comprehensive income	**24,721**	12,356

21. Available-for-sale investments

Available-for-sale investments comprise:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Listed equity securities in Hong Kong	**65,200**	83,879
Unlisted equity securities in Hong Kong	**19,781**	19,781
Unlisted equity securities outside Hong Kong	**7,794**	–
	92,775	103,660
Market value of listed securities	**65,200**	83,879

At the end of the reporting period, all the listed securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets.

Unlisted investments represent unlisted equity investments and club debentures. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so widespread that the Directors are of the opinion that their fair values cannot be measured reliably since significant subjective judgments are required in valuing their underlying assets.

22. Investment in convertible bonds

The Group

	Straight debt	**Embedded derivatives**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2010	2,420,897	300,612	2,721,509
Interest income recognised during the year	153,680	–	153,680
Interest received	(23,400)	–	(23,400)
Change in fair value	–	458,208	458,208
At 31 December 2010	2,551,177	758,820	3,309,997
Interest income recognised during the year	161,976	–	161,976
Interest received	(23,400)	–	(23,400)
Change in fair value	–	(614,184)	(614,184)
At 31 December 2011	**2,689,753**	**144,636**	**2,834,389**

22. Investment in convertible bonds (continued)

On 3 June 2008, the Group subscribed an aggregate principal amount of HK$2,340 million 1% guaranteed convertible bonds due 2013 ("Bonds") issued by Champion REIT. Details of the transaction were set out in the announcement of the Company dated 28 May 2008 and 3 June 2008.

The Bonds entitle the holders to convert them into units of Champion REIT at any time on or after 3 June 2009 up to the date which is seven days prior to 3 June 2013. The conversion price after adjusting for the Excess Distribution (as defined in terms and conditions of the Bonds) on 16 May 2011, was HK$3.61 per unit. If the holder has elected to convert the Bonds, the issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94% of the outstanding principal amount. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

The Bonds have been split between a straight debt receivable component and embedded derivatives. The effective interest rate of the straight debt receivable component is 6.27% per annum.

The fair value of the embedded derivatives at the end of the reporting period is based on valuation carried out by an independent valuer. The fair value is determined based on the Binomial model using assumptions, some of which are supported by observable market data, including dividend yield of 7.13% (2010: 4.64%), unit price of Champion REIT at HK$2.92 (2010: HK$4.59), risk-free rate of 0.3% (2010: 0.83%) in respect of the Bonds, and expected volatility of 40.7% (2010: 39.75%) with reference to Champion REIT's historical volatility of the past 1.5 years (2010: 2.5 years).

23. Notes receivable

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Unsecured bonds	**16,251**	72,126
Medium term notes	**157,697**	157,740
	173,948	229,866
Less: Amounts due within one year shown under current assets	**(96,251)**	(55,819)
Amounts due after one year	**77,697**	174,047

At 31 December 2011, the Group held unsecured bonds and medium term notes with principal amounts of HK$16,251,000 (2010: HK$72,126,000) and HK$157,697,000 (2010: HK$157,740,000), respectively, issued by reputable financial institutions.

The unsecured bonds are denominated in Australian dollars and carry annual fixed coupon interest rates ranging from 6% to 6.32% (2010: 5.125% to 7%) per annum, or bank-bill reference rate in Australia plus certain spread with maturity dates ranging from June 2012 to August 2012 (2010: January 2011 to August 2012). The medium term notes, which are denominated in Hong Kong dollars and United States dollars, carry interest at fixed rates ranging from 3% to 5.15% (2010: 3% to 5.15%) per annum in the first six to twelve months starting from the issue dates and at variable rates based on either 3-month LIBOR or 3-month HIBOR, thereafter till the maturity dates ranging from August 2012 to August 2013 (2010: in August 2012).

24. Restricted cash, bank balances and cash

Restricted cash

At 31 December 2011, an amount equivalent to HK$12,295,000 was placed in designated bank account pursuant to applicable loan facilities requirements.

Bank balances and cash

Bank balances including short-term bank deposits with original maturity of less than three months carry interest at market rates which range from 0.002% to 4.81% (2010: 0.005% to 4.6%) per annum.

25. Financial assets designated at fair value through profit or loss

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Structured note designated at FVTPL	**–**	77,740

At 31 December 2010, the Group held principal protected structured note with fair value of HK$77,740,000 with a bank with maturity in September 2011. The structured note was denominated in United States dollars. It contained embedded derivatives with its interest components linked to foreign exchange rate movements which are not closely related to the host contracts. The entire structured note had been designated as financial assets at FVTPL on initial recognition.

The fair value of structured note designated at FVTPL at the end of the reporting period was provided by a counterparty bank.

26. Inventories

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Completed properties held for sale	**42**	42
Raw materials	**6,650**	5,311
Trading goods	**5,834**	6,858
Provisions and beverages	**39,149**	35,666
Work-in-progress	**43,565**	29,521
	95,240	77,398

27. Debtors, deposits and prepayments

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade debtors, net of allowance for doubtful debts	**293,327**	267,542
Deferred rent receivables	**23,242**	21,410
Other receivables	**45,829**	45,280
Deposits and prepayments	**61,019**	61,517
	423,417	395,749

For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. For hotel income, the Group allows a credit period of 30 days to certain customers.

The following is an analysis of trade debtors by age, presented based on the invoice date, net of allowance for doubtful debts:

	2011	2010
	HK$'000	HK$'000
0 – 3 months	**242,336**	241,330
3 – 6 months	**9,158**	11,270
Over 6 months	**41,833**	14,942
	293,327	267,542

Trade debtors as at 31 December 2011 and 2010 which are neither overdue nor impaired are in good quality. Included in the Group's trade debtors balance are debtors with a carrying amount of HK$50,991,000 (2010: HK$26,212,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

27. Debtors, deposits and prepayments (continued)

Aging of trade debtors balance past due but not impaired

	2011 HK$'000	2010 HK$'000
3 – 6 months	9,158	11,270
Over 6 months	41,833	14,942
Total	50,991	26,212

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
At 1 January	62,277	61,728
Increase in allowance recognised in profit or loss	2,343	549
At 31 December	64,620	62,277

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

28. Amount due from a subsidiary

The Company

Amount due from a subsidiary is unsecured, interest-free and repayable on demand.

29. Creditors, deposits and accruals

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade creditors	**152,455**	164,558
Deposits received	**212,346**	198,411
Construction fee payable and retention money payable	**3,194**	3,263
Accruals, interest payable and other payables	**449,687**	389,127
	817,682	755,359

The following is an analysis of trade creditors by age, presented based on the invoice date:

	2011	2010
	HK$'000	HK$'000
0 – 3 months	**142,785**	156,926
3 – 6 months	**2,758**	2,257
Over 6 months	**6,912**	5,375
	152,455	164,558
Deposits received		
– due within one year	**178,391**	178,973
– due more than one year	**33,955**	19,438
	212,346	198,411

30. Derivative financial instruments

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Foreign currency derivative contracts	**1,034**	362
Less: Amounts due within one year shown under current liabilities	**(903)**	(362)
Amounts due after one year	**131**	–

The Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Hong Kong. The Group is required to sell or buy Euro against Hong Kong dollars (2010: Euro against Hong Kong dollars) at contracted rates under these derivative contracts. At the end of the reporting period, the unexpired notional amount of these outstanding derivatives contracts amounted to Euro 1,254,000 (equivalent to HK$12,607,000 (2010: Euro 421,000 (equivalent to HK$4,367,000))). The derivative contracts will fully expire by the end of 2013 (2010: 2011).

The fair values of foreign currency derivative contracts at the end of reporting periods are provided by a counterparty bank.

31. Borrowings

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Bank loans and revolving loans (secured)	**2,391,819**	2,469,881
Other non-current loans (secured)	**1,009,675**	1,019,641
	3,401,494	3,489,522
Loan front-end fee	**(7,326)**	(5,254)
	3,394,168	3,484,268
The maturity of the above loans based on scheduled repayment terms is as follows:		
On demand or within one year (note)	**2,585,306**	798,318
More than one year but not exceeding two years	**262,721**	2,559,211
More than two years but not exceeding five years	**546,141**	126,739
	3,394,168	3,484,268
Less: Amounts due within one year shown under current liabilities (note)	**(2,585,306)**	(798,318)
Amounts due after one year	**808,862**	2,685,950

Note: The amount at 31 December 2010 includes a bank loan that contained repayment on demand clause of HK$220,000,000.

31. Borrowings (continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2011 HK$'000	2010 HK$'000
Within one year	634	499,013
More than one year but not exceeding two years	108,179	–
More than two years but not exceeding three years	6,810	–
More than three years but not exceeding four years	7,094	–
More than four years but not exceeding five years	373,295	–
	496,012	499,013

The exposure of the Group's floating-rate borrowings and the contractual maturity dates are as follows:

	2011 HK$'000	2010 HK$'000
Within one year	2,584,672	299,305
More than one year but not exceeding two years	154,542	2,559,211
More than two years but not exceeding three years	29,530	126,739
More than three years but not exceeding four years	29,530	–
More than four years but not exceeding five years	99,882	–
	2,898,156	2,985,255

The ranges of effective interest rates (which approximate to contracted interest rates) on the Group's borrowings are as follows:

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	3.84% to 6.09%	4.91% to 6.09%
Variable-rate borrowings	0.64% to 5.88%	1.41% to 5.96%

During the year ended 31 December 2010, the Group extinguished a bank loan and an other loan entered in the USA with an aggregate carrying amount of HK$848,712,000 in exchange for payments below their stated value. The amount of HK$220,072,000, representing excess of aggregate carrying amount over the cash settlement was recognised as an income from discounted payoff of borrowings in the consolidated income statement.

32. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2010 (restated)	616,731	(385,037)	15,517	247,211
Exchange differences	9,392	(2,894)	43	6,541
(Credit) charge to profit or loss for the year	(43,256)	33,737	34,966	25,447
At 31 December 2010 (restated)	582,867	(354,194)	50,526	279,199
Exchange differences	(3,055)	(426)	64	(3,417)
Charge (credit) to profit or loss for the year	34,683	38,852	(16,856)	56,679
At 31 December 2011	**614,495**	**(315,768)**	**33,734**	**332,461**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the end of the reporting period, the Group has unutilised tax losses of HK$2,597,888,000 (2010: HK$2,768,418,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,314,416,000 (2010: HK$1,384,322,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,283,472,000 (2010: HK$1,384,096,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$775,604,000 (2010: HK$684,737,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$775,604,000 (2010: HK$684,737,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$950,815,000 (2010: HK$882,515,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

33. Share capital

		2011		2010	
		Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
(a)	Authorised:				
	Shares of HK$0.50 each				
	Balance brought forward and carried forward	**800,000**	**400,000**	800,000	400,000
(b)	Issued and fully paid:				
	Shares of HK$0.50 each				
	Balance brought forward	**622,810**	**311,404**	621,827	310,913
	Issued upon exercise of share options under the share option scheme	**2,884**	**1,442**	870	435
	Issued as scrip dividends	**6,180**	**3,091**	113	56
	Repurchase of shares	**(2,807)**	**(1,404)**	–	–
	Balance carried forward	**629,067**	**314,533**	622,810	311,404

During the year ended 31 December 2011, 6,180,898 (2010: 112,859) shares of HK$0.50 each in the Company were issued at HK$25.56 (2010: HK$19.94) per share as scrip dividends.

During the period from October to December 2011, the Company has repurchased a total of 3,110,000 of its own shares on the Stock Exchange as follows:

Month of repurchase	**Number of shares repurchased**	**Price per share Highest** HK$	**Price per share Lowest** HK$	**Aggregate consideration paid before expenses** HK$'000
October 2011	1,157,000	17.00	14.90	18,369
November 2011	1,185,000	17.00	15.06	19,102
December 2011	768,000	15.86	14.78	11,738
	3,110,000			49,209

2,807,000 repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value of such shares. The premium paid on repurchase of such shares was charged against the share premium accounts. An amount equivalent to the par value of the shares cancelled was transferred from contributed surplus of the Company to capital redemption reserve.

303,000 repurchased shares had yet not been formally cancelled at the end of the reporting period. The total consideration paid to repurchase these shares amounted to HK$4,583,000 and such amount was recorded as treasury shares at 31 December 2011.

34. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2010	3,739,100	1,650	426,202	31,919	18,886,719	23,085,590
Shares issued at premium	23,336	–	–	(5,674)	–	17,662
Recognition of equity-settled share based payment	–	–	–	13,332	–	13,332
Share issue expenses	(8)	–	–	–	–	(8)
Profit and total comprehensive income for the year	–	–	–	–	627,673	627,673
Dividend paid	–	–	–	–	(336,269)	(336,269)
At 31 December 2010	3,762,428	1,650	426,202	39,577	19,178,123	23,407,980
Shares issued at premium	209,187	–	–	(14,282)	–	194,905
Recognition of equity-settled share based payment	–	–	–	17,661	–	17,661
Share issue expenses	(59)	–	–	–	–	(59)
Repurchase of shares	(43,240)	1,404	(1,575)	–	–	(43,411)
Profit and total comprehensive income for the year	–	–	–	–	100,938	100,938
Dividend paid	–	–	–	–	(370,315)	(370,315)
At 31 December 2011	**3,928,316**	**3,054**	**424,627**	**42,956**	**18,908,746**	**23,307,699**

35. Share options

In accordance with Share Option Scheme of Great Eagle Holdings Limited (formerly Executive Share Option Scheme) (the "1999 Share Option Scheme"), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At the 2009 Annual General Meeting of the Company held on 27 May 2009 ordinary resolutions were proposed to approve the adoption of a new share option scheme ("2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2009 Share Option Scheme became effective for a period of 10 years commencing on 27 May 2009. Options granted during the life of the 1999 Share Option Scheme and remain unexpired prior to the expiry of the 1999 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 1999 Share Option Scheme.

Further details of the 1999 Share Option Scheme

a. The purpose of the 1999 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.

b. Participants of the 1999 Share Option Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the 1999 Share Option Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares which represent 10% of the issued share capital of the Company on the date of adoption of the 1999 Share Option Scheme.

d. No option may be granted to any Participant under the 1999 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.

f. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

g. The subscription price, the price per Share at which a grantee may subscribe for Shares on the exercise of an option, shall be the higher of (i) the last dealt price of the Shares quoted in the Stock Exchange daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average of the last dealt prices of the Shares quoted in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the said offer date, provided that the subscription price shall in no event be less than the nominal value of a Share.

35. Share options (continued)

Further details of the 2009 Share Option Scheme

a. The purpose of the 2009 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.

b. Participants of the 2009 Share Option Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the 2009 Share Option Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares which represent 10% of the issued share capital of the Company on the date of adoption of the 2009 Share Option Scheme.

d. No option may be granted to any Participant under the 2009 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.

f. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

g. The subscription price shall be determined by the Board and notified to a Participant and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, and as subsequently adjusted pursuant to the terms of the 2009 Share Option Scheme, if relevant.

h. The 2009 Share Option Scheme has a life of 10 years commencing on 27 May 2009.

35. Share options (continued)

The following tables disclose details of the Company's share options held by employees, including directors, and movements in such holdings under the 1999 Share Option Scheme and 2009 Share Option Scheme during the year:

1999 Share Option Scheme

	Number of shares				
In 2011 **Year of grant of options**	**Outstanding options at 1 January 2011**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2011**
2007	**2,733,000**	**–**	**(1,116,000)**	**(88,000)**	**1,529,000**
2009	**2,873,000**	**–**	**(1,768,000)**	**(32,000)**	**1,073,000**
	5,606,000	**–**	**(2,884,000)**	**(120,000)**	**2,602,000**
Exercisable at end of the year					**2,602,000**
Weighted average exercise price	**HK$15.68**	**–**	**HK$14.37**	**HK$18.88**	**HK$16.99**

	Number of shares				
In 2010 Year of grant of options	Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
2005	898,000	–	(856,000)	(42,000)	–
2007	2,794,000	–	(14,000)	(47,000)	2,733,000
2009	2,900,000	–	–	(27,000)	2,873,000
	6,592,000	–	(870,000)	(116,000)	5,606,000
Exercisable at end of the year					2,733,000
Weighted average exercise price	HK$16.06	–	HK$18.28	HK$17.82	HK$15.68

35. Share options (continued)

2009 Share Option Scheme

In 2011 Year of grant of options	Number of shares Outstanding options at 1 January 2011	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2011
2010	2,703,000	–	–	(174,000)	2,529,000
2011	–	3,047,000	–	(151,000)	2,896,000
	2,703,000	3,047,000	–	(325,000)	5,425,000
Exercisable at end of the year					–
Weighted average exercise price	HK$22.80	HK$26.18	–	HK$24.37	HK$24.60

In 2010 Year of grant of options	Number of shares Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
2010	–	2,742,000	–	(39,000)	2,703,000
Exercisable at end of the year					–
Weighted average exercise price	–	HK$22.80	–	HK$22.80	HK$22.80

35. Share options (continued)

Details of the share options held by the Directors under the 1999 Share Option Scheme and the 2009 Share Option Scheme included in the above table are as follows:

1999 Share Option Scheme

In 2011 Year of grant of options	Outstanding options at 1 January 2011	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2011
	Number of shares				
2007 – 2009	2,621,000	–	(1,209,000)	–	1,412,000

In 2010 Year of grant of options	Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
	Number of shares				
2005 – 2009	3,291,000	–	(670,000)	–	2,621,000

2009 Share Option Scheme

In 2011 Year of grant of options	Outstanding options at 1 January 2011	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2011
	Number of shares				
2010 – 2011	1,170,000	1,247,000	–	–	2,417,000

In 2010 Year of grant of options	Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
	Number of shares				
2010	–	1,170,000	–	–	1,170,000

The weighted average price of the shares on the dates the options were exercised was HK$25.26 under the 1999 Share Option Scheme for the year ended 31 December 2011. No option had been exercised under the 2009 Share Option Scheme for the years ended 31 December 2011 and 2010.

35. Share options (continued)

Details of options granted under the 1999 Share Option Scheme and the 2009 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
1999 Share Option Scheme			
2005	17.3.2005	18.3.2007 – 17.3.2010	18.21
2007	4.1.2007	5.1.2009 – 4.1.2012	22.35
2009	8.1.2009	9.1.2011 – 8.1.2014	9.34
2009 Share Option Scheme			
2010	4.3.2010	5.3.2012 – 4.3.2015	22.80
2011	7.3.2011	8.3.2013 – 7.3.2016	26.18

Notes:

(i) Consideration paid for each grant of options was HK$1.00.

(ii) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 16 March 2005, 3 January 2007, 7 January 2009, 3 March 2010 and 4 March 2011 being the business date immediately before the date on which share options were granted, were HK$18.05, HK$21.9, HK$9.45, HK$23.00 and HK$26.10, respectively.

(iii) The vesting period for the option grant is 24 months from date of grant.

(iv) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant:	7.3.2011	4.3.2010	8.1.2009	4.1.2007	17.3.2005
Exercise price:	HK$26.18	HK$22.80	HK$9.34	HK$22.35	HK$18.21
Expected volatility (note a):	31.90%	48.98%	52.48%	41.76%	41.88%
Expected dividend yield (note b):	2.28%	2.46%	5.75%	1.40%	0.95%
Expected life from grant date:	5 years	5 years	5 years	5 years	5 years
Risk free interest rate (note c):	1.88%	1.65%	1.31%	3.82%	3.81%
Fair value per option:	HK$6.57	HK$8.51	HK$3.16	HK$7.79	HK$6.63

Notes:

(a) The expected volatility was based on historical volatility.

(b) The expected dividend yield was based on historical dividends.

(c) Risk free interest rate was approximated the yield of 5-year Exchange Fund Note on the date of grant.

The Group recognised the total expense of HK$17,661,000 for the year ended 31 December 2011 (2010: HK$13,332,000) in relation to share options granted by the Company.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

36. Retirement benefit schemes

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administration Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the Scheme.

Forfeited contributions to retirement schemes for the year ended 31 December 2011 amounting to HK$370,000 (2010: HK$572,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2011 charged to the consolidated income statement amounted to HK$48,123,000 (2010: HK$42,443,000). As at 31 December 2011, contributions of HK$3,010,000 (2010: HK$254,000) due in respect of the year had not been paid over to the schemes.

37. Major non-cash transactions

(a) During the year ended 31 December 2011, 6,180,898 (2010: 112,859) shares of HK$0.50 each in the Company were issued at HK$25.56 (2010: HK$19.94) per share as scrip dividends.

(b) During the year ended 31 December 2011, management service income of HK$187,474,000 (2010: HK$181,042,000) was earned as manager of Champion REIT in which HK$55,072,000 (2010: HK$59,311,000) and HK$36,714,000 (2010: HK$34,306,000) have been settled in the form of units of Champion REIT and by cash, respectively. The units received were classified as interests in associates.

The remaining balance of HK$57,413,000 (2010: HK$53,753,000) and HK$38,275,000 (2010: HK$33,672,000) will be settled in the form of units of Champion REIT and by cash subsequent to the year end, respectively.

(c) During the year ended 31 December 2010, 37,160,820 units of Champion REIT were received in lieu of cash in regards of the distributions for the year ended 31 December 2009 amounting to HK$129,632,000 on initial recognition. The units were classified as interests in associates thereafter.

38. Pledge of assets

At 31 December 2011, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$4,001,107,000 (2010: HK$3,392,106,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings with a total carrying value of HK$5,895,335,000 (2010: HK$6,084,116,000); and

(c) the Group's leasehold land and owner occupied buildings in Hong Kong with a total carrying value of HK$133,309,000 (2010: HK$138,836,000).

39. Commitments and contingent liabilities

At 31 December 2011, the Group has authorised capital expenditure for acquisition of investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$651,229,000 (2010: HK$73,744,000) of which HK$70,861,000 (2010: HK$69,517,000) was contracted for.

At 31 December 2011, the Group has outstanding financial commitment in respect of capital injection to a jointly controlled entity of RMB26,500,000 (equivalent to HK$32,500,000) (2010: HK$152,000,000) and share of commitment of construction cost to completion of a hotel property owned by an associate of RMB132,280,000 (equivalent to HK$163,247,000) (2010: HK$275,000,000).

In addition to the above, the Group has provided a several corporate guarantee and a charge over its interest in the share capital of MGIL to a bank in respect of the Group's share of banking facility obtained and fully utilised by the associate of US$12,675,000 (equivalent to HK$98,481,000) (2010: HK$152,000,000). In the opinion of the Directors of the Company, because the banking facility is secured by a hotel property owned by the associate and the market value of the hotel property is higher than the guaranteed amount, the fair value of the financial guarantees is insignificant.

Other than that, the Group did not have any significant commitments and contingent liabilities at the end of the reporting period.

40. Operating lease arrangements

The Group as lessor

Property rental income earned during the year was HK$275,562,000 (2010: HK$264,975,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Contingent rental income earned during the year ended 31 December 2011 is HK$617,000 (2010: HK$567,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**204,372**	204,635
In the second to fifth years inclusive	**341,915**	326,755
After five years	**48,184**	69,331
	594,471	600,721

Where leases are negotiated at a fixed rate for the first few years, but subject to renegotiation for the remaining contracted lease terms, the minimum lease payments are calculated based on the latest negotiated rent, if any.

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**19,906**	12,429
In the second to fifth years inclusive	**12,510**	13,639
	32,416	26,068

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of one to three years and rentals are fixed over the respective leases.

41. Related party transactions

The Group had the following significant related party balances and transactions during the period. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties. Transactions with Champion REIT were listed since the date it became an associate of the Group as disclosed in note 19(b).

Dr. Lo Ka Shui is the chairman, managing director as well as substantial shareholder of the Company. Transactions with the Group were disclosed as related party transactions.

Related companies are companies in which Mr. Lo Hong Sui, Vincent and Mr. Lo Kai Shui, Directors of the Company who are also close family members of the substantial shareholder, have controlling interests.

	2011 HK$'000	2010 HK$'000
Transactions with associates for the year ended 31 December		
Interest received on investment in convertible bonds	23,400	10,316
Licence fee and hotel management fee income	1,888	142
Management service income	187,474	72,078
Marketing service income	25,643	13,407
Property management service income	51,177	20,534
Repairs and maintenance income	3,836	1,488
Supply procurement and consultancy services income	1,539	1,886
Rental charges	23,271	20,790
Building management fee expense	5,218	2,216
Payment on behalf of an associate	4,602	1,018
Transactions with a jointly controlled entity for the year ended 31 December		
Project advisory income	18,371	17,106
Investment management income	11,956	10,122
Transactions with a related party for the year ended 31 December		
Management fee received	900	900
Procurement expense	–	1,881
Transactions with related companies for the year ended 31 December		
Trading income	996	482
Rental income	4,393	4,380
Management fee received	1,127	963
Consultancy service income	450	–
Supply procurement and consultancy services income	2,208	–
Licence fee and hotel management fee income	415	–
Rental charges	600	600
Payment on behalf of a related company	371	–
Balances with associates, a jointly controlled entity and related companies as at 31 December		
Amounts due from associates (see note 19(c))	231,738	12,077
Amounts due from associates (note) (included in trade debtors under debtors, deposits and prepayments)	123,020	110,413
Amount due from a jointly controlled entity (note) (included in trade debtors under debtors, deposits and prepayments)	41,654	19,936
Amounts due from related companies (note) (included in debtors, deposits and prepayments)	821	462
Amounts due to related companies (note) (included in creditors, deposits and accruals)	885	854

Note: The amounts are unsecured, interest-free and repayable on demand.

41. Related party transactions (continued)

In addition to the above balance with associates, the Group subscribed the Bonds issued by Champion REIT, a listed associate of the Group, details of the Bonds are disclosed in note 22.

On 19 August 2010, the Group completed an acquisition of one-third of the entire issued share capital of MGIL, a wholly owned subsidiary of Shui On, at a consideration of US$24,118,000 (equivalent to HK$188,120,000) pursuant to a sales and purchase agreement entered into on 1 April 2010 among an indirectly wholly owned subsidiary of the Company, the chairman and managing director of the Group and Shui On, a related company in which a director, who is also a close family member of the substantial shareholder of the Company has controlling interest. MGIL indirectly holds a hotel under development in the Luwan District, Shanghai. Details of the sales and purchase agreement were disclosed in an announcement issued on 1 April 2010 and a circular dated 21 April 2010 pursuant to the Listing Rules. Further details of the interest in the associate are disclosed in note 19(a).

The remuneration of the Directors and other members of key management during the year were disclosed in note 13. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. Particulars of the principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company
– incorporated and operating in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US$1 each	Investment holding	100%

Indirect subsidiaries	Issued and paid up equity share capital/ paid up capital	Principal activities	Percentage of issued equity share capital/ registered capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK$1 each	Property investment	100%
Champion Global Services Limited	1 share of HK$1	Provision of procurement services	100%
Chance Mark Limited	2 shares of HK$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK$1 each	Restaurant operation	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ paid up capital	Principal activities	Percentage of issued equity share capital/ registered capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
Eagle Asset Management (CP) Limited	16,000,000 shares of HK$1 each	Manager of real estate investment trust	100%
Eagle Property Management (CP) Limited	1 share of HK$1	Property management	100%
Ease Billion Development Limited	2 shares of HK$1 each	Property investment	100%
Eaton House Management Limited	10,000 shares of HK$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK$1 each	Property investment	100%
Langham Hospitality Group Limited	1 share of HK$1	Investment holding	100%
Great Eagle (China) Investment Limited	1 share of HK$1	Investment holding	100%
Great Eagle Project Advisory Company Limited	1 share of HK$1	Provision of project management services	100%
Great Eagle Trading Holdings Limited	1 share of HK$1	Investment holding	100%
Grow On Development Limited	5,000 shares of HK$1 each	Hotel ownership and operation	100%
Harvest Star International Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Keysen Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	100%
Langham Hotels International Limited	5,000 shares of HK$1 each	Hotel management	100%
Langham Hotels (China) Limited	1 share of HK$1	Hotel management	100%
Langham Place Hotel (HK) Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Longworth Management Limited	10,000 shares of HK$1 each	Property management	100%
Mega Bloom (China) Limited	1 share of HK$1	Investment holding	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ paid up capital	Principal activities	Percentage of issued equity share capital/ registered capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
Moon Yik Company, Limited	10,000,000 shares of HK$1 each	Property investment	100%
Seasons Fitness Limited	1 share of HK$1	Fitness centre operation	100%
Selex Properties Management Company, Limited	2 shares of HK$1 each	Property management	100%
Sharp Bloom Limited	1 share of HK$1	Treasury management	100%
Strong Dynamic Limited	2 shares of HK$1 each	Fitness centre operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK$100 each	Financing	100%
The Great Eagle Properties Management Company, Limited	1,800,000 shares of HK$1 each	Property management	100%
Toptech Co. Limited	2,000,000 shares of HK$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK$10 each	Property investment	100%
88 Tiandi Limited*	1 share of HK$1	Hospitality management services	60%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ paid up capital	Principal activities	Percentage of issued equity share capital/ registered capital held by the Company
– incorporated in the British Virgin Islands:			
Bright Form Investments Limited	1 share of US$1	Investment holding of convertible bonds	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%
G.E. Hotel (Xintiandi) Limited	1 share of US$1	Investment holding	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%
Main Treasure Holdings Limited	1 share of US$1	Provision of investment management services	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ paid up capital	Principal activities	Percentage of issued equity share capital/ registered capital held by the Company
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%
– incorporated and operating in USA:			
Pacific Chicago LLC	US$8,000,000	Property investment	100%
Pacific EIH Sacramento Corporation*	100 shares of US$1 each	Property investment	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Property investment	100%
Pacific 2700 Ygnacio Corporation	100 shares of US$1 each	Property investment	100%
Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
Shorthills NJ, Inc.	100 shares of US$1 each	Property investment	100%
– incorporated and operating in the PRC:			
Champion Global Services (Shanghai) Limited	US$20,000	Procurement services	100%
Langham Hotels Management (Shanghai) Company Limited	US$350,000	Hotel management	100%
Selex Property Management (Dalian) Company Limited*	RMB500,000	Property management	100%
Toptech (Shanghai) Building Material Limited	US$350,000	Trading of building materials	100%
– incorporated and operating in Macau:			
Toptech (Macau) Limited	2 shares of MOP25,000	Trading of building materials	100%

* All these subsidiaries commenced their business during the year ended 31 December 2011.

42. Particulars of the principal subsidiaries (continued)

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had any debt securities subsisting at 31 December 2011 and 2010 or at any time during both years.

43. Particulars of the associates

Details of the Group's associates at 31 December 2011 and 2010 are set out below:

Indirect associates	Issued and paid up equity share capital/ units	Principal activity	Percentage of issued equity share capital/ units held by the Group at 31 December 2011	2010
– incorporated in the British Virgin Islands:				
City Apex Limited	3,500 shares of US$1 each	Investment holding	23%	23%
Magic Garden Investments Limited*	3 shares of US$1 each	Investment holding of subsidiaries which are engaged in hotel development and operation	33.33%	33.33%
– a trust constituted by the Trust Deed, regulated by, inter alia, the REIT Code and listed on the Stock Exchange:				
Champion REIT*	4,956,590,003 units	Property investment	51.69%	51.43%
– incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong:				
Cinderella Media Group Limited (formerly known as Recruit Holdings Limited) (note)	320,592,000 shares of HK$0.2 each	Investment holding of subsidiaries which are engaged in printing and publishing	19.52%	20.15%

* Champion REIT became an associate of the Group and Magic Garden Investments Limited was newly acquired during the year ended 31 December 2010 as disclosed in note 19.

Note: The Group is able to exercise significant influence over Cinderella Media Group Limited through its shareholding in City Apex Limited which holds over 50% equity interests of Cinderella Media Group Limited.

44. Particulars of a jointly controlled entity

Details of the Group's jointly controlled entity at 31 December 2011 and 2010 are set out below:

Indirect jointly controlled entity	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Group
– incorporated in the British Virgin Islands:			
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are engaged in property development	50%

APPENDIX I – LIST OF MAJOR PROPERTIES

Properties held for long-term investment

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
On Land Under Long Leases			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	6,000	100%
Eaton House, Nos. 3–5 Wanchai Gap Road, Hong Kong	Furnished apartments	35,000	100%
Eaton House, 100 Blue Pool Road, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
On Land Under Medium-Term Leases			
Eaton House, 4H Village Road, Hong Kong	Furnished apartments	23,000	100%
Eaton Smart, Hong Kong 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	312,000	100%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
Langham Place, Mongkok, Hong Kong 555 Shanghai Street, Mongkok Kowloon, Hong Kong	Hotel	508,000	100%
The Langham, Xintiandi, Shanghai 99 Madang Road, Lot No. 108 Luwan District, Shanghai, PRC	Hotel	579,000	33.33%

Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
On Freehold Land			
The Langham, London 1 and 1B Portland Place, Regent Street, London, W1N 4JA, United Kingdom	Hotel/Commercial	390,000	100%
Delta Chelsea Hotel, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
The Langham, Auckland 83 Symonds Street, Auckland 1, New Zealand	Hotel/Commercial	309,000	100%
Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	118,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, CA 94598 USA	Office	119,000	100%
The Langham, Boston 250 Franklin Street, Boston, MA 02110, USA	Hotel/Commercial	281,000	100%
353 Sacramento Street 353 Sacramento Street, San Francisco, CA 94111, USA	Commercial/Office	307,000	100%

Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
On Freehold Land (continued)			
The Langham, Huntington, Pasadena, Los Angeles 1401 South Oak Knoll Avenue, Pasadena, California 91106, USA	Hotel/Commercial	489,000	100%
The Langham, Chicago 330 North Wabash, Chicago, Illinois, USA	Hotel	342,000	100%

Property under development

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
On Land Under Medium-term Lease			
Lot C04, Donggang area, Renmin Road East, Zhongshan District, Dalian, PRC*	Hotel/Apartments	3,079,000	50%

* As at the date of this annual report, the excavation works at the site were completed and the foundation works are near completion. The project is being developed in two phases which are targeted for completion from 2014/15 onward.

APPENDIX II – FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2007 HK$'000 (restated)	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000 (restated)	**2011** **HK$'000**
RESULTS					
Revenue	4,182,039	4,750,433	3,958,366	4,694,155	**4,746,336**
Profit (loss) before tax	4,891,266	(109,177)	1,040,755	4,814,978	**4,396,370**
Income taxes	(355,782)	213,058	192,210	(140,622)	**(169,167)**
Profit for the year	4,535,484	103,881	1,232,965	4,674,356	**4,227,203**
Attributable to:					
Owners of the Company	4,535,479	103,881	1,232,965	4,674,356	**4,227,203**
Non-controlling interests	5	–	–	–	**–**
	4,535,484	103,881	1,232,965	4,674,356	**4,227,203**
Earnings per share					
Basic	HK$7.52	HK$0.17	HK$2.00	HK$7.51	**HK$6.70**
Diluted	HK$7.52	HK$0.17	HK$2.00	HK$7.48	**HK$6.57**
ASSETS AND LIABILITIES					
Total assets	38,269,946	24,403,020	28,166,300	34,252,019	**38,205,300**
Total liabilities	(11,512,021)	(6,092,971)	(5,463,566)	(4,606,889)	**(4,616,178)**
	26,757,925	18,310,049	22,702,734	29,645,130	**33,589,122**
Equity attributable to owners of the Company	26,757,925	18,310,049	22,702,734	29,645,130	**33,589,122**

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
"1999 Share Option Scheme"	the former Executive Share Option Scheme of the Company adopted by an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"Bonds"	the 1% guaranteed convertible bonds due 2013 issued by Champion REIT
"CG Code"	the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules
"Champion REIT"	Champion Real Estate Investment Trust (Stock Code: 2778), an associate of the Company, the units of which are listed on the Stock Exchange, in which the Group has an interest of approximately 51.69% as at 31 December 2011
"Cinderella Media"	Cinderella Media Group Limited (formerly know as Recruit Holdings Limited) (Stock Code: 550), an associate of the Company, the shares of which are listed on the Stock Exchange, in which the Group has an interest of approximately 19.50% as at 31 December 2011
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company
"Company"	Great Eagle Holdings Limited
"Core profit"	Profit from core business after tax
"CSR"	Corporate Social Responsibility
"EBITDA"	Earning before interest, taxes, depreciation and amortization
"Group"	the Company and its subsidiaries
"HITL"	HSBC International Trustee Limited
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"JCE"	Jointly controlled entity
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange

"MGIL"	Magic Garden Investments Limited, a limited company incorporated in the British Virgin Islands and an associate of the Company, in which the Group has an interest of 33.33%
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	The People's Republic of China
"Queenbrook"	Queenbrook Investments Limited, a limited company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
"RevPAR"	Revenue per available room
"Revised CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules in respect of which to be effective from 1 April 2012
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"REIT Code"	the Code on Real Estate Investment Trusts published by the Securities and Futures Commission of Hong Kong
"USA"	United States of America
"Wealth Joy"	Wealth Joy Holdings Limited, a limited company incorporated in the British Virgin Islands and a jointly controlled entity of the Group

This annual report is available in both English and Chinese versions and has been published on the Company's website at www.GreatEagle.com.hk and the designated website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

In respect of (i) shareholders who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) shareholders who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) shareholders who wish to change their choice of means of receipt or language of the Company's future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting, circular to shareholders), they may at any time send their request by reasonable prior notice in writing by post or by email to GreatEagle.ecom@computershare.com.hk or by completing and returning the Change Request Form to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited by using the mailing label on the Change Request Form (postage prepaid if delivered within Hong Kong). The Change Request Form is being sent to shareholders together with the printed form of this annual report or written notification (as the case may be).

Great Eagle
Holdings Limited
鷹君集團有限公司

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