



鷹君集團有限公司
Great Eagle
Holdings Limited

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

ANNUAL REPORT 2014

Strategic Vision
Growing Network



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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 (Chairman)
 LO Kai Shui
 KAN Tak Kwong

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Appleby
 Clifford Chance
 Dentons US LLP
 Mayer Brown JSM
 Shartsis Friese LLP

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
 Hamilton HM12
 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
 The Belvedere Building
 69 Pitts Bay 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
 Email: hkinfo@computershare.com.hk

WEBSITE

www.GreatEagle.com.hk

STOCK CODE

DIVIDEND NOTICE

FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK47 cents per share (2013: HK43 cents per share and a special final dividend of HK50 cents per share) for the year ended 31 December 2014 to the Shareholders whose names appear on the Registers of Members on Wednesday, 13 May 2015 subject to the approval of the Shareholders at the forthcoming 2015 Annual General Meeting.

Taken together with the interim dividend of HK27 cents per share paid on 17 October 2014, the total dividend for the year 2014 is HK74 cents per share (2013 total dividend: HK\$2.16 per share, comprising an interim dividend of HK23 cents, a special interim dividend of HK\$1.00, a final dividend of HK43 cents and a special final dividend of HK50 cents).

Shareholders will be given the option to receive the proposed 2014 final dividend in new shares in lieu of cash. The scrip dividend arrangement is subject to: (1) the approval of proposed 2014 final dividend at the 2015 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 the Shareholders together with the form of election for scrip dividend in May 2015. Dividend warrants and share certificates in respect of the proposed 2014 final dividend are expected to be despatched to the Shareholders on 16 June 2015.

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) Entitlement to attend and vote at the 2015 Annual General Meeting

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2015 Annual General Meeting, the Registers of Members of the Company will be closed from Friday, 24 April 2015 to Thursday, 30 April 2015, both days inclusive.

In order to be eligible to attend and vote at the 2015 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 for registration not later than 4:30 p.m. on Thursday, 23 April 2015.

(ii) Entitlement to the proposed 2014 final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2014 final dividend, the Registers of Members of the Company will be closed from Friday, 8 May 2015 to Wednesday, 13 May 2015, both days inclusive.

In order to qualify for the proposed 2014 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 for registration not later than 4:30 p.m. on Thursday, 7 May 2015.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

| Key Financials on Income Statement | Year ended 31 December | | |
|--|------------------------|----------------------|--------|
| | 2014 HK\$ Million | 2013 HK\$ Million | Change |
| Based on core business¹ | | | |
| Revenue based on core business | 5,594.4 | 5,418.9 | 3.2% |
| Core profit after tax attributable to equity holders | 1,919.2 | 1,679.9 | 14.2% |
| Core profit after tax attributable to equity holders (per share) | HK\$2.93 | HK\$2.63 | |
| Based on statutory accounting principles² | | | |
| Revenue based on statutory accounting principles | 8,127.4 | 7,301.0 | 11.3% |
| Statutory Profit attributable to equity holders | 2,115.1 | 2,399.5 | -11.9% |
| Interim Dividend (per share) | HK\$0.27 | HK\$0.23 | |
| Final Dividend (per share) | HK\$0.47 | HK\$0.43 | |
| Special Dividend (per share) | – | HK\$1.50 | |
| Total Dividend (per share) | HK\$0.74 | HK\$2.16 | |

1 On the basis of core business, figures excluded fair value changes relating to the Group's investment properties and financial assets, and were based on attributable distribution income from Champion REIT, Langham Hospitality Investments and Langham Hospitality Investments Limited (LHI) and the U.S. Real Estate Fund (U.S. Fund), as well as realized gains on financial assets. The management's discussion and analysis focuses on the core profit of the Group.

2 Financial figures prepared under the statutory accounting principles were based on applicable accounting standards, which included fair value changes and had consolidated financial figures of Champion REIT, LHI and the U.S. Fund.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

| Key Financials on Balance Sheet | As at the end of | |
|--|------------------|-----------|
| | December 2014 | June 2014 |
| Based on share of Net Assets of Champion REIT, LHI and U.S. Fund (core balance sheet)¹ | | |
| Net gearing | Net Cash | Net Cash |
| Book value (per share) | HK\$90.5 | HK\$88.2 |
| Based on statutory accounting principles² | | |
| Net gearing | 34.6% | 33.0% |
| Book value (per share) | HK\$78.9 | HK\$76.9 |

1 The Group's core balance sheet is derived from our share of net assets of LHI. As the hotels owned by LHI are classified as investment properties, the values of these hotels were marked to market. More details about the balance sheet derived from our share of net assets in Champion REIT, LHI and U.S. Fund are on page 8.

2 As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. However, the Group only owns a 61.7%, 58.2% and 48.9% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of December 2014.

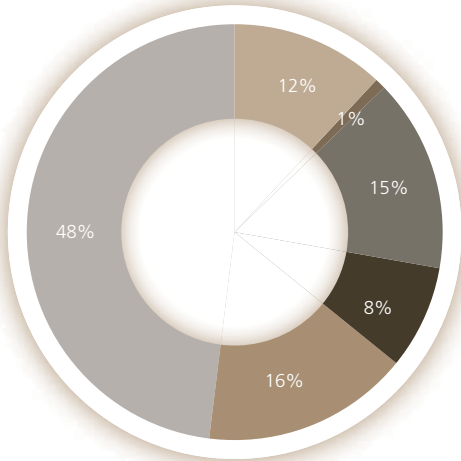
FINANCIAL CALENDAR

| | | |
|--|---|--|
| 2014 Interim Results Announcement | : | 21 August 2014 |
| Payment of 2014 Interim Dividend of HK27 cents per share | : | 17 October 2014 |
| 2014 Annual Results Announcement | : | 5 March 2015 |
| Closure of Registers of Members | | |
| • For ascertaining Shareholders' entitlement to attend and vote at the 2015 Annual General Meeting | : | 24 April 2015–30 April 2015 (both days inclusive) |
| • For ascertaining Shareholders' entitlement to the proposed 2014 Final Dividend | : | 8 May 2015–13 May 2015 (both days inclusive) |
| 2015 Annual General Meeting | : | 30 April 2015 |
| Ex-dividend Date | : | 6 May 2015 |
| Record Date for proposed 2014 Final Dividend | : | 13 May 2015 |
| Payment of 2014 Final Dividend of HK47 cents per share | : | 16 June 2015 |

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

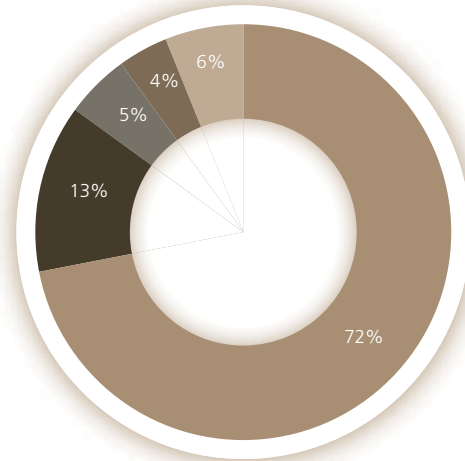
ASSETS EMPLOYED

Total Assets HK\$82,332 million



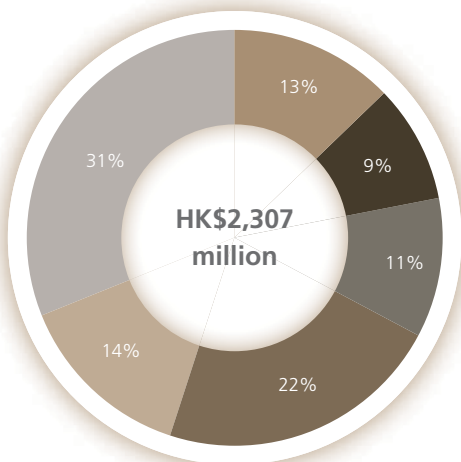
- Hotel operation
- Property investment
- Other operations
- Share of assets of Champion REIT
- Share of assets of LHI
- Share of assets of U.S. Fund

FINANCED BY



- Equity attributable to equity holders
- Non-current Liabilities
- Current Liabilities
- Share of liabilities of Champion REIT
- Share of liabilities of LHI

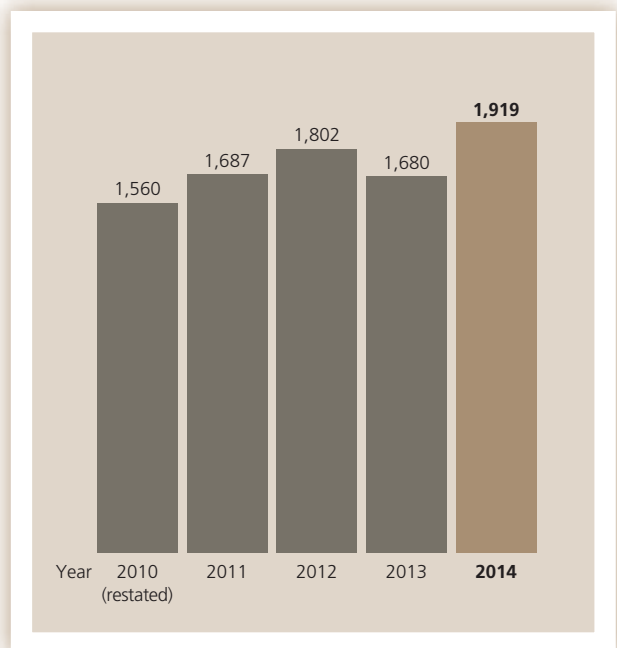
OPERATING INCOME FROM CORE BUSINESS



- Net rental income
- Hotel EBITDA
- Management fee income from Champion REIT
- Distribution from Champion REIT
- Distribution from LHI
- Operating Income from other operations

CORE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

HK\$ million



CHAIRMAN'S STATEMENT

CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

| | Year ended 31 December | | |
|---|------------------------|----------------------|--------------|
| | 2014 HK\$ million | 2013 HK\$ million | Change |
| Revenue from core business | | | |
| Gross Rental Income | 417.0 | 334.5 | 24.7% |
| Hotels Division* | 3,361.4 | 3,480.7 | -3.4% |
| Management Fee Income from Champion REIT | 310.2 | 316.3 | -1.9% |
| Distribution Income from Champion REIT [^] | 717.2 | 716.9 | 0.0% |
| Distribution Income from LHI [^] | 306.0 | 189.0 | 61.9% |
| Other operations | 482.6 | 381.5 | 26.5% |
| | 5,594.4 | 5,418.9 | 3.2% |
| Net Rental Income | 262.8 | 209.6 | 25.4% |
| Hotel EBITDA* | 514.7 | 672.9 | -23.5% |
| Management Fee Inc. from Champion REIT | 310.2 | 316.3 | -1.9% |
| Distribution Income from Champion REIT [^] | 717.2 | 716.9 | 0.0% |
| Distribution Income from LHI [^] | 306.0 | 189.0 | 61.9% |
| Operating income from other operations | 195.7 | 144.6 | 35.3% |
| Operating Income from core business | 2,306.6 | 2,249.3 | 2.5% |
| Depreciation | (143.4) | (122.2) | 17.3% |
| Other income (including Interest income) | 486.3 | 155.5 | 212.7% |
| Administrative expenses | (314.5) | (281.2) | 11.8% |
| Other expense | (93.2) | – | n.a. |
| Finance costs | (166.3) | (125.7) | 32.3% |
| Share of results of associates | 9.5 | 11.1 | -14.4% |
| Share of results of a Joint Venture | (36.4) | (36.7) | -0.8% |
| Core profit before tax | 2,048.6 | 1,850.1 | 10.7% |
| Taxes | (126.9) | (168.7) | -24.8% |
| Core profit after tax | 1,921.7 | 1,681.4 | 14.3% |
| Non-controlling interest | (2.5) | (1.5) | 66.7% |
| Core profit attributable to equity holders | 1,919.2 | 1,679.9 | 14.2% |

* In 2013, hotel income from the Hong Kong hotels covered the period from 1 January 2013 to 29 May 2013.

[^] The Group's core profit is based on attributable distribution income from Champion REIT, LHI and the U.S. Fund.

CHAIRMAN'S STATEMENT

SEGMENT ASSETS AND LIABILITIES (BASED ON NET ASSETS OF CHAMPION REIT, LHI AND U.S. FUND)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

31 December 2014

| | Assets HK\$ million | Liabilities HK\$ million | Net Assets HK\$ million |
|---------------------------------|------------------------|-----------------------------|----------------------------|
| Great Eagle operations (note 1) | 31,742.2 | 8,293.4 | 23,448.8 |
| U.S. Fund (note 2) | 1,043.0 | 254.6 | 788.4 |
| Champion REIT (note 3) | 39,239.2 | 10,356.9 | 28,882.3 |
| LHI (note 3) | 10,307.6 | 4,088.3 | 6,219.3 |
| | 82,332.0 | 22,993.2 | 59,338.8 |

31 December 2013

| | Assets HK\$ million | Liabilities HK\$ million | Net Assets HK\$ million |
|---------------------------------|------------------------|-----------------------------|----------------------------|
| Great Eagle operations (note 1) | 30,399.3 | 7,027.3 | 23,372.0 |
| Champion REIT (note 3) | 37,914.5 | 10,156.5 | 27,758.0 |
| LHI (note 3) | 10,148.8 | 3,989.9 | 6,158.9 |
| | 78,462.6 | 21,173.7 | 57,288.9 |

Note 1: Included in the assets and liabilities are bank deposit and restricted cash of HK\$7,765,491,000 (31 December 2013: HK\$8,906,402,000) and principal debts of HK\$6,089,419,000 (31 December 2013: HK\$5,082,384,000), representing net cash of HK\$1,676,072,000 as at 31 December 2014 (31 December 2013: net cash of HK\$3,824,018,000).

Note 2: Assets and liabilities of the U.S. Fund is based on financial information of the fund at 48.9% interest held by Great Eagle Holdings Limited.

Note 3: Assets and liabilities of Champion REIT and LHI are based on published financial information of Champion REIT and LHI and the respective interests held by Great Eagle Holdings Limited, being 61.7% and 58.2%, respectively (31 December 2013: 60.4% interests in Champion REIT and 57.7% interests in LHI held). Additionally, the assets of LHI include the hotel properties' appraised value as of 31 December 2014.

CHAIRMAN'S STATEMENT

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

| | Year ended 31 December | | |
|--|------------------------|----------------------|---------------|
| | 2014 HK\$ million | 2013 HK\$ million | Change |
| Revenue based on statutory accounting principles | | | |
| Gross Rental Income | 439.5 | 334.5 | 31.4% |
| Hotels Division | 4,944.7 | 4,434.4 | 11.5% |
| Management Fee Income from Champion REIT | 310.2 | 316.3 | -1.9% |
| Other operations | 482.6 | 381.5 | 26.5% |
| Hotel Management fee Income from LHI | 75.7 | 47.1 | 60.7% |
| Gross Rental income of Champion REIT | 2,288.2 | 2,179.3 | 5.0% |
| Gross Rental income of LHI | 751.7 | 471.8 | 59.3% |
| Elimination on Intra-Group transactions | (1,165.2) | (863.9) | 34.9% |
| Consolidated total revenue | 8,127.4 | 7,301.0 | 11.3% |
| Net Rental Income | 272.0 | 209.6 | 29.8% |
| Hotel EBITDA | 1,147.3 | 1,084.1 | 5.8% |
| Net Rental income from Champion REIT | 1,870.6 | 1,801.3 | 3.8% |
| Operating income from other operations | 198.5 | 155.5 | 27.7% |
| Operating Income | 3,488.4 | 3,250.5 | 7.3% |
| Depreciation | (487.8) | (403.7) | 20.8% |
| Fair value changes on Investment properties | 1,204.9 | 1,119.3 | 7.6% |
| Fair value changes on Derivative Financial Instruments | (0.3) | 309.0 | -100.1% |
| Fair value changes of financial assets designated at fair value through profit or loss | 2.3 | 37.2 | n.a. |
| Gain on conversion of convertible bonds of Champion REIT | – | 29.3 | n.a. |
| Reversal of impairment on a hotel property | – | 149.2 | n.a. |
| Other income (including Interest income) | 539.6 | 245.5 | 119.8% |
| Administrative expenses | (350.6) | (340.9) | 2.8% |
| Other expenses | (220.9) | – | n.a. |
| Finance costs | (623.4) | (545.2) | 14.3% |
| Share of results of associates | (9.7) | (9.5) | 2.1% |
| Share of results of a Joint Venture | (36.4) | (36.7) | -0.8% |
| Statutory profit before tax | 3,506.1 | 3,804.0 | -7.8% |
| Taxes | (496.3) | (426.3) | 16.4% |
| Statutory profit after tax | 3,009.8 | 3,377.7 | -10.9% |
| Non-controlling interest | (894.7) | (978.2) | -8.5% |
| Statutory profit attributable to equity holders | 2,115.1 | 2,399.5 | -11.9% |

CHAIRMAN'S STATEMENT

OVERVIEW

2014 marked another fruitful year for the Group, as we closed on several acquisitions and expanded our management fee income business. In addition to continue expanding our hotel penetration to gateway cities with the acquisition of a hotel in Washington, D.C., we had increased our hotel investments in Shanghai and solidified our presence in one of the world's increasingly important cities. Furthermore, we have re-entered Hong Kong's residential development market at a relatively low land cost and made progress with investment in the U.S. Fund. As the asset manager of the U.S. Fund, we had acquired a site in San Francisco for residential development that was funded by capital contributed by our joint venture partner. We are currently performing due diligence on another site for the U.S. Fund, the site is located in a well sought after neighborhood in New York.

As for the financial year ended 31 December 2014, revenue based on core business of the Group reached HK\$5,594 million, and was 3.2% higher than that last year (2013: HK\$5,419 million). The increase was due to the full year contribution in distribution income for our equity stake in LHI, as well as higher rental income from our investment property portfolio. Despite the absence of revenue from the Hong Kong hotels after the spinoff in May 2013, such shortfall had been almost made up by the increased revenue from our overseas hotels given the full year contribution from The Langham Chicago and Langham Place Fifth Avenue.

Operating income from core business rose by 2.5% year-on-year to HK\$2,307 million in 2014 (2013: HK\$2,249 million). The slower growth in operating income as compared with revenue was due to lower profit margin of the Hotels Division.



Compared with 2013, when there were almost five months of contribution from Hong Kong hotels that commanded higher operating margins, the majority of revenue from the Hotels Division in 2014 was from overseas hotels that had lower operating margins. Operating margins on most of the Group's other businesses remained steady in 2014.

While the increase in operating income was small, a sharp increase in interest income and realized gains on securities investment were attributable to lifting core profit. The Group's interest income increased more than double to HK\$291 million in 2014 (2013: HK\$132 million), given the full year impact of the Group's enlarged cash position after the spinoff in May 2013. As a minor part of the Group's cash were more actively managed and invested in securities, there was a realized gain of HK\$134 million on the Group's securities investment in 2014, which was much higher than the HK\$20 million booked in 2013. Realised gains on securities investment were included under the "other income" item.

CHAIRMAN'S STATEMENT



The increase in interest income and realized gain on securities investment were partially offset by increased interest expense and administrative expense. There was also a one-off write off relating to the fitting and fixture at The Langham Sydney and a provision on the exchange loss arising from the depreciation of Renminbi that the Group held.

Interest expense was HK\$166 million in 2014 (2013: HK\$126 million) and was predominantly due to the full year impact of additional interest expense incurred in relation to the acquisitions made in 2013. Administrative expense came to HK\$315 million in 2014 (2013: HK\$281 million) and was mostly as a result of increased headcount as the Group embarked on more development projects, as well as general increase of salaries. The write off of fixture and fitting amounting to HK\$24 million in 2014 was due to the renovation of The Langham Sydney in the fourth quarter of 2014. The provision for a net exchange loss of HK\$69 million in 2014 (2013: nil)

was due to our Group's internal prudent approach to account for the depreciated value of Renminbi that the Group held. The one-off write-off and the provision on the exchange loss are included under "Other expense" in core profit.

The loss incurred by a joint venture, which holds the Dalian mixed-use development project, was HK\$36.4 million in 2014 and was similar to that incurred in 2013 (2013: Loss of HK\$36.7 million). The losses were marketing and administrative expenses incurred for the presale of the residential apartments that could not be capitalized. All-in-all, core profit before tax rose by 10.7% year-on-year to HK\$2,049 million in 2014 (2013: HK\$1,850 million). Taxes were lowered in 2014, as losses incurred at The Langham Chicago lowered taxes for our US operations under Group's tax filing. Profit attributable to equity holders rose at a faster rate of 14.2% year-on-year to HK\$1,919 million in 2014 (2013: HK\$1,680 million).

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

HOTELS DIVISION

| | Year ended 31 December | | |
|--|------------------------|----------------------|--------|
| | 2014 HK\$ million | 2013 HK\$ million | Change |
| Hotel Revenue | | | |
| Hong Kong [^] | – | 656.3 | n.a. |
| Other Hotels [*] | 3,193.3 | 2,698.7 | 18.3% |
| Others (including hotel management income) | 168.1 | 125.7 | 33.7% |
| Total Hotel Revenue | 3,361.4 | 3,480.7 | -3.4% |
| Hotel EBITDA | | | |
| Hong Kong [^] | – | 254.8 | n.a. |
| Other Hotels [*] | 380.7 | 313.2 | 21.6% |
| Others (including hotel management income) | 134.0 | 104.9 | 27.7% |
| Total Hotel EBITDA | 514.7 | 672.9 | -23.5% |

[^] Hotel income contribution from the Hong Kong hotels for 2013 covered the period from 1 January to 29 May 2013. The following table restates the figures above by excluding the Hong Kong hotels to provide a more meaningful year-on-year comparisons.

^{*} Hotel income contribution from Other Hotels. The restated table below provided the breakdown of Other Hotels by geographical regions.

| | Year ended 31 December | | |
|--|------------------------|----------------------|--------|
| | 2014 HK\$ million | 2013 HK\$ million | Change |
| Management discussion based on the this table, which excluded impact of the spun off hotels | | | |
| Revenue | | | |
| Europe | 553.6 | 553.0 | 0.1% |
| North America | 1,822.8 | 1,314.6 | 38.7% |
| Australasia | 803.0 | 831.1 | -3.4% |
| China | 13.9 | – | n.a. |
| Others (including hotel management income) | 168.1 | 125.7 | 33.7% |
| Total Hotel revenue excluding Hong Kong hotels | 3,361.4 | 2,824.4 | 19.0% |
| EBITDA | | | |
| Europe | 125.3 | 153.7 | -18.5% |
| North America | 131.5 | 21.9 | 500.5% |
| Australasia | 123.1 | 137.7 | -10.6% |
| China | 0.8 | – | n.a. |
| Others (including hotel management income) | 134.0 | 104.9 | 27.7% |
| Total Hotel EBITDA excluding Hong Kong hotels | 514.7 | 418.2 | 23.1% |

HOTELS PERFORMANCE

| | Average Daily Rooms Available | | Occupancy | | Average Room Rate (local currency) | | RevPar (local currency) | |
|--|-------------------------------|-------|-----------|-------|------------------------------------|-------|-------------------------|-------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| The Langham, Hong Kong | 465 | 495 | 88.9% | 88.9% | 2,295 | 2,266 | 2,040 | 2,013 |
| Langham Place Hotel, Hong Kong | 650 | 652 | 91.2% | 90.7% | 1,871 | 1,883 | 1,706 | 1,707 |
| Eaton, Hong Kong | 465 | 452 | 96.1% | 95.1% | 1,213 | 1,208 | 1,166 | 1,149 |
| The Langham, London | 366 | 380 | 81.1% | 80.7% | 266 | 278 | 216 | 224 |
| The Langham, Boston | 318 | 318 | 82.0% | 75.1% | 256 | 242 | 210 | 182 |
| The Langham Huntington, Pasadena | 380 | 380 | 77.0% | 74.8% | 251 | 228 | 194 | 170 |
| The Langham, Chicago ¹ | 315 | 239 | 60.0% | 46.8% | 326 | 291 | 196 | 136 |
| Langham Place, Fifth Avenue, New York ² | 214 | 214 | 74.5% | 81.4% | 538 | 627 | 400 | 511 |
| Hotel in Washington D.C. ³ | 265 | – | 50.4% | – | 182 | – | 92 | – |
| Eaton Chelsea, Toronto | 1,590 | 1,590 | 71.4% | 68.7% | 130 | 124 | 93 | 85 |
| The Langham, Melbourne | 388 | 377 | 86.1% | 85.7% | 285 | 277 | 246 | 238 |
| The Langham, Sydney | 58 | 96 | 82.3% | 82.9% | 303 | 291 | 250 | 241 |
| The Langham, Auckland | 409 | 410 | 82.6% | 76.3% | 173 | 177 | 143 | 135 |
| The Langham, Xintiandi, Shanghai ⁴ | 356 | 356 | 69.3% | 58.8% | 1,669 | 1,696 | 1,156 | 997 |

¹ In 2013, operation covered period from 10 July to 31 December

² In 2013, operation covered period from 25 September to 31 December

³ In 2014, operation covered period from 15 July to 15 December

⁴ The hotel became wholly owned on 11 December 2014, but operating statistic covered operation from 1 January to 31 December 2014

CHAIRMAN'S STATEMENT



The following discussion is based on figures in the restated table, which excluded contribution from the three hotels in Hong Kong for the year of 2013, thereby providing a more meaningful year-on-year comparison on the performance of the Hotels Division.

In 2014, we completed the acquisition of a hotel in downtown Washington, D.C., USA on 11 July and the acquisition of the remaining two-third stake in The Langham, Xintiandi, Shanghai that the Group did not previously own on 11 December. Prior to the acquisition of the remaining stake in The Langham, Xintiandi, Shanghai, the return on our one-third stake in the hotel was reflected under the share of results of associates. From 11 December 2014 onward, revenue and EBITDA of the hotel were consolidated under performance of the Hotels Division.

As the Group already manages The Langham, Xintiandi, Shanghai, the standards of the hotel are already compliant with those required of the Langham brand, and there was no disruption made to the operation of the hotel after the acquisition.

By contrast, the hotel in Washington, D.C. was previously managed by another hotel operator with lower standards on fit out and design. As such, an extensive renovation was required to bring the hotel to comply with the standards of our Eaton lifestyle brand. The hotel was closed from 15 December 2014 to make way for such renovation and therefore, income contribution from this hotel covered the period from 10 July 2014 to 15 December 2014.

Based on the restated table, revenue of the Hotels Division, which is comprised of eleven wholly-owned hotels and other Hotels Division related business such as hotel management income, grew 19.0% year-on-year to HK\$3,361.4 million in 2014 (2013: HK\$2,824.4 million). Despite the additional revenue contributions from newly acquired hotels, the amount of which were relatively small. The increase in revenue of the Hotels Division was primarily driven by the full year revenue contribution from The Langham Chicago and Langham Place, Fifth Avenue. There was also an increase in income from the related business of the Hotels Division, as there was the full year contribution of management fee income from LHI, as compared with around seven months of contribution in 2013.

CHAIRMAN'S STATEMENT

EBITDA of the Hotels Division grew at a faster rate of 23.1% year-on-year to HK\$514.7 million in 2014 (2013: HK\$418.2 million), which was primarily due to a substantially reduced loss incurred at The Langham Chicago after its operation was being ramped up, as well as a low base effect as a one-off pre-opening expense for The Langham Chicago was booked in 2013.

In terms of the performances of the hotels in North America, except for The Langham, Chicago, which was almost breakeven, but still suffering from a small loss in 2014, all other North American hotels were profitable and had delivered EBITDA growths that reflected improvements in the underlying economies in 2014. Although the increase in EBITDA at the Eaton Chelsea was due to a low base effect, where there was a one-off rebranding charge in 2013.

Of the hotels in Australasia, the decline in revenue was due to the lack of revenue contribution from The Langham Sydney, which was closed for a major renovation from August to December 2014. The temporary closure of the hotel also contributed a loss to the region's EBITDA in 2014, which was attributable to the decline in EBITDA of hotels in Australasia in 2014. During 2014, there was a 6.7% weighted depreciation of the Australian dollar against the Hong Kong dollar, hence, the growth in EBITDA achieved by The Langham Melbourne narrowed in Hong Kong dollar terms.

Our hotel in Europe, The Langham London witnessed a decline in revenue and EBITDA in terms of local currency, which was due to renovation of the suites that reduced the number of available rooms in 2014. With negative operating leverage, the decline in EBITDA was larger than the decline in revenue. However, with a 5.3% weighted appreciation of the British pound against the Hong Kong dollar during 2014, the decline had been translated into a 0.1% increase in revenue in Hong Kong dollar terms, while the rate of decline in EBITDA also narrowed in Hong Kong dollar terms.

HONG KONG HOTELS

After the spinoff of the Hong Kong Hotels, the financial returns on the Group's 58.2% equity stake in the three hotels in Hong Kong were reflected through our investment in LHI, under the section "Investment in LHI".

The following discussion on the operational performance of the hotels was based on a twelve-month period from 1 January to 31 December of 2013. The comparisons were based on a twelve-month period so as to minimize distortions arising from seasonality and thus provided a more meaningful comparative operational performance analysis of the hotels.

The Langham, Hong Kong

The hotel posted a 7.3% year-on-year growth in guest arrivals from Mainland China in 2014, which helped offset reduced demand from other markets. Arrivals from this market held up in the fourth quarter of 2014 when the "Occupy Central" protests were in place. On the contrary, the weaker demand from other markets was not all due to the "Occupy Central" protests, as they had already been flat or declining throughout the first three quarters.

During 2014, the hotel achieved average occupancy of 88.9% on an average of 465 rooms (2013: 88.9% on an average of 495 rooms) and an average room rate of HK\$2,295 (2013: HK\$2,266).

Revenue from food and beverage was flat in 2014. After a slow start to the year with a 2.1% year-on-year decline in revenue from food and beverage in the first half of 2014, there had been a pickup of revenue in food and beverage from the third quarter due to improved banqueting businesses.

Langham Place Hotel, Hong Kong

The hotel enjoyed decent growth in demand for its rooms from guests of Mainland China and other Asian countries throughout the first three quarters of 2014. It was only until the fourth quarter that the hotel faced tremendous pressure on demand for its rooms, as it is situated within close proximity to the Mongkok protest site. Note the hotel will be rebranded to the Cordis brand from the second quarter of 2015.

CHAIRMAN'S STATEMENT

For the year 2014, the hotel achieved average occupancy of 91.2% (2013: 90.7%) and an average room rate of HK\$1,871 (2013: HK\$1,883).

Revenue from food and beverage grew by 2.6% year-on-year, as the growth in revenue achieved through the first three quarters of 2014 was dragged down by decline in food and beverage revenue in the fourth quarter.

Eaton, Hong Kong

Amongst the three Hong Kong hotels, this hotel delivered the smallest year-on-year decline in RevPAR in the fourth quarter of 2014. However, the hotel also faced pressure on demand for its rooms during the "Occupy Central" protests in the fourth quarter. As such, the hotel lowered its room rates to accommodate more group travellers and maintain its high occupancy over the fourth quarter of 2014.

For the year 2014, the hotel achieved average occupancy of 96.1% on an average of 465 rooms (2013: 95.1% on an average of 452-rooms) and an average room rate of HK\$1,213 (2013: HK\$1,208).

As banqueting business was concentrated mostly in the second half of 2014, revenue from food and beverage at the hotel, rose 7.3% year-on-year in 2014, compared with a modest 2.6% year-on-year growth achieved in the first half of 2014.

OVERSEAS HOTELS

EUROPE

The Langham, London

There were less businesses deriving from the higher yielding travellers, given the renovation of the suites undergoing in 2014. The shortfall was mostly offset by increased arrivals from retail leisure travellers. However, the change in guest mix towards retail leisure had diluted average room rates achieved by the hotel, which dropped by 4% year-on-year in 2014.

Revenue from food and beverage rose 4% year-on-year during 2014, as business from the restaurants and catering operations improved, with more meetings and events activities held.

For the year 2014, the hotel achieved occupancy of 81.1% on an average of 366 available rooms (2013: 80.7% on an average of 380 available rooms) and an average room rate of £266 (2013: £278).

NORTH AMERICA

The Langham, Boston

Room revenue was supported by increased citywide conventions held from the third quarter of 2014, which allow the hotel to increase room rates from corporate and group travellers. The increase in RevPAR was supported by increases in occupancy and room rates.

Revenue from food and beverage rose 3% year-on-year in 2014. The increase was mainly driven by improvement in catering business, which was attributable to more corporate meeting and conference activities held.

For the year 2014, the hotel achieved average occupancy of 82% (2013: 75.1%) and an average room rate of US\$256 (2013: US\$242).

The Langham Huntington, Pasadena

Given stronger market sentiments, the hotel accommodated more higher-yield corporate groups and retail travellers in 2014. RevPAR rose 14% year-on-year and was driven mostly by room rates.

Revenue from food and beverage rose 10% year-on-year in 2014, which was supported by an increase in number of guests to the restaurants, as well as improved average spending per guest. Resumption of operation of The Royce restaurant whereas it was closed for renovation in the first quarter of 2013 also supported the growth in food and beverage.

For the year 2014, the hotel achieved average occupancy of 77% (2013: 74.8%) and an average rate of US\$251 (2013: US\$228).



The Langham, Chicago

While the ramp up phase of the hotel was met with extreme weather conditions in the first quarter of 2014, performance gradually gained momentum from the third quarter onwards and the hotel accommodated more retail and corporate business at higher room rates. As a result, the hotel made a profit in the second half of 2014 and the hotel almost breakeven for the full year in 2014. It should also be noted that the hotel continued to gain brand recognition and had won several high profile accolades during 2014.

For the year 2014, the hotel achieved average occupancy of 60% on an average of 315 available rooms and an average rate of US\$326. The hotel was opened on 10 July 2013 and achieved average occupancy of 46.8% (on an average of 239 available rooms) and an average rate of US\$291 in 2013.

Langham Place, Fifth Avenue, New York

RevPAR comparison with 2013 was not meaningful as the acquisition of the hotel was completed in September 2013. Nonetheless, after a steady flow of leisure business group during the first half of 2014, the hotel faced a slowdown in business volume during weekdays in the second half of year, which placed pressure on room rates achieved.

For the year 2014, the hotel achieved average occupancy of 74.5% and an average rate of US\$538. The hotel was acquired on 25 September 2013 and achieved average occupancy of 81.4% and an average rate of US\$627 in 2013.

CHAIRMAN'S STATEMENT

Eaton Chelsea, Toronto

As the restoration works on the room's balconies had impacted business of the hotel in the first half of the year, business improved in the second half following completion of the restoration works. The hotel benefited from more high-yield retail and corporate group businesses in the second half, which helped to lift room rates for the hotel.

Food and beverage revenue rose 4% year-on-year in 2014 as business improved in the restaurants and from catering.

The refurbishment of the 722-rooms in North Tower started in November 2014 with expected completion in the second quarter of 2015.

For the year 2014, the hotel achieved average occupancy of 71.4% (2013: 68.7%) and an average rate of C\$130 (2013: C\$124).

AUSTRALIA/NEW ZEALAND**The Langham, Melbourne**

Performance at the hotel was supported by improved demand from the retail and group segments. After the last phase of the room renovation completed in the third quarter of 2013, the hotel was able to attract more higher yielding leisure travellers over the weekends, which led to an overall 3.3% year-on-year increase in average room rates achieved.

Revenue from food and beverage rose 6% year-on-year in 2014, which was attributable by improved catering business.

For the year 2014, the hotel achieved occupancy of 86.1% on an average of 388 rooms (2013: 85.7% on an average of 377 rooms) and an average rate of A\$285 (2013: A\$277).

The Langham, Sydney

The hotel benefitted from buoyant market conditions, and delivered an increase in average room rates and occupancy before it was closed for a major renovation from mid-July through to December of 2014. The renovation will further optimize the performance of the hotel. As a result of the temporary closure, there was a decline in revenue of the hotel and generated a loss in 2014.

After the renovation, the hotel will offer a more luxurious product to the market, which will help to increase its market share.

For the year 2014, the hotel achieved occupancy of 82.3% on an average of 58 available rooms (2013: 82.9% on an average of 96 available rooms) and an average rate of A\$303 (2013: A\$291).

The Langham, Auckland

As the demand for rooms from the corporate and group segment remained weak throughout 2014, the hotel strategically targeted demand in the retail leisure segment, which helped the hotel to grow its occupancy by 6.3 percentage points compared with the same period a year ago. The focus of shifting to more retail travellers had diluted average room rate achieved.

Revenue from food and beverage rose 11% year-on-year in 2014, as a result of improved business at the Eight restaurant and better catering business, particularly from meetings and conferences activities.

For the year 2014, the hotel achieved average occupancy of 82.6% (2013: 76.3%) and an average rate of NZ\$173 (2013: NZ\$177).

CHINA**The Langham, Xintiandi, Shanghai (became a wholly owned hotel from 11 December 2014)**

Despite tough market conditions, the hotel managed to grow its occupancy by 10.5 percentage points compared with the same period a year ago. The increase in travellers was mostly from both the corporate and retail segments. However, as overall market remained competitive, average room rates achieved by the hotel dropped by 1.6% year-on-year in 2014.

Revenue from food and beverage rose 5% year-on-year during 2014, which was supported by catering business that was streamed from corporate meetings and conferences.

For the year 2014, the hotel achieved occupancy of 69.3% (2013: 58.8%) and an average rate of ¥1,669 (2013: ¥1,696).

HOTEL MANAGEMENT BUSINESS

In 2014, two long-term hotel management contracts were added to the growing portfolio of hotels under management, two Langham Place hotels, one in Ningbo and the other in Xiamen, both in China, joined as those of third-party hotels managed by our hotel management subsidiary. These openings brought the number of hotels in our management portfolio to eight with approximately 2,200 rooms as at the end of 2014. It should be noted that as compared with the number of managed hotels disclosed in the interim report of 2014, The Langham, Xintiandi, Shanghai has been excluded in calculating the number of hotels in our management portfolio, as the hotel became wholly owned by the Group since 11 December 2014, and was no longer classified as a pure managed hotel.

ASSET ACQUISITIONS

In July 2014, the Group completed the acquisition of a 265-key hotel in Washington, D.C., USA for US\$72 million. The hotel is located in the heart of downtown Washington, D.C. and is close to the White House. The hotel was closed from mid-December 2014 to undergo renovation works and it will be rebranded under our Eaton lifestyle brand that focuses on younger and more socially oriented travellers.

In August 2014 the Group entered into agreements to acquire interests in two hotels in Shanghai. Of the two Shanghai hotels, the Group had closed on the acquisition of the remaining two-third interest in The Langham, Xintiandi, Shanghai that the Group does not previously own in December 2014, while the acquisition of the full interest in the HUB hotel, which is connected to Hongqiao's infrastructure hub, will be closed in March 2015. Although the HUB hotel will not be handed to us in bare-shell condition until the second quarter of 2015 at the earliest, the Group had already started planning on the fit out design of the hotel.

These acquisitions will further increase the awareness of our hotel brand and augmenting our brand as one of the leading international hotel brands.

DEVELOPMENT PROJECTS

Pak Shek Kok Residential Development Project

In May 2014, the Group successfully won the tender of a prime residential site with a site area of 208,820 sq. ft and a total gross floor area of 730,870 square feet in Pak Shek Kok, Tai Po, New Territories, Hong Kong. Based on the land cost of HK\$2,412 million for the site, this translated to a price of HK\$3,300 per square foot. The site commands unobstructed sea view of the Tolo Harbour and has been earmarked for luxury residential development with between 500 to 700 residential units. The payment for the land cost was made in June 2014. Preliminary works on design and layout are being carried out for this residential project.

Dalian Mixed-use Development Project

The project is located on Renmin Road in the East Harbour area of Zhongshan District, the CBD of Dalian, Liaoning Province. It has a total gross floor area of approximately 286,000 square metres and comprises 1,200 high-end apartments with a luxury hotel with approximately 360 rooms. The Group has a 50% equity interest in the project and acts as the project manager. It is targeted to complete in two phases by 2016 and beyond. As of the end of 2014, the Group had invested HK\$579 million for its stake in the project.

Phase 1 of the apartments has been launched for pre-sale since September 2013. As at the end of 2014, more than 100 units have been sold at an average selling price of about RMB22,500 per square metre. The project sets a new benchmark for luxury properties in the city by offering extraordinarily luxurious ambience with unobstructed sea view overlooking the Dalian Harbour. It should be noted that the sales and profits on the presold apartments will not be booked in our income statement until handover of the apartments, which is targeted to be due in early 2016. The handover date was postponed by several months from our earlier projection, which was due to technical issues arising from the delay in access to certain utility connections.

CHAIRMAN'S STATEMENT



INCOME FROM CHAMPION REIT

The Group's core profit is based on attributable distribution income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in 2014 dropped by 0.6% year-on-year to HK\$1,027.4 million. Whilst distribution per unit declared by Champion REIT declined by 3% in 2014 as compared with 2013, our attributable dividend income from Champion REIT managed to stay flat as compared with last year as a result of

our increased holdings in Champion REIT. However, asset management income from Champion REIT dropped 1.9% year-on-year to HK\$310.2 million in 2014, as a one-off acquisition fee was booked in 2013, which raised the base for comparison. Excluding the impact of the acquisition fee in 2013, management fee income from Champion REIT, which comprised of REIT management fee and other fee income would have increased by 5.2% year-on-year in 2014.

Year ended 31 December

| | 2014 HK\$ million | 2013 HK\$ million | Change |
|--|----------------------|----------------------|--------|
| Attributable Dividend income | 717.2 | 716.9 | 0.0% |
| Management fee income | 310.2 | 316.3 | -1.9% |
| Total income from Champion REIT | 1,027.4 | 1,033.2 | -0.6% |

The following text were extracted from the annual results announcement of Champion REIT for the year of 2014 relating to the performance of the REIT's properties.

CHAIRMAN'S STATEMENT



Citibank Plaza

The year-end office occupancy at Citibank Plaza was 75.4% compared to 84.8% at the end of last year. Year-end asking rents were at HK\$75-80 per sq. ft. lettable. Passing rents (the average rental rate of existing tenancies weighted by floor area) at Citibank Plaza have come down from HK\$84.60 per sq. ft. to HK\$77.53 per sq. ft. over the past 12 months. The lower passing rent and lower occupancy resulted in a drop in rental income to HK\$1,064 million. At the same time, net operating expenses increased by HK\$16.9 million. The net property income of Citibank Plaza was HK\$932 million, a 5.8% decrease year-on-year.

Langham Place Office Tower

Although there was some downtime for a few floors in the second half of the year, by 31 December 2014 the occupancy rate at the Office Tower was back to 100%. Asking rents (based on Gross Floor Area) for space at Langham Place Office Tower were maintained at HK\$38-45 per sq. ft. There continued to be positive rental reversion and over 2014 the passing rent rate increased by a further HK\$3.00, from HK\$32.86 to HK\$35.87. Rental income for the Langham Place Office Tower was HK\$281 million, an 11.2% increase over 2013. Net operating expenses increased 33.9% to HK\$28 million. Net Property Income grew 9.2% from HK\$232 million to HK\$253 million.

Langham Place Mall

Over the twelve months of 2014, tenancies representing 36% of the Mall's floor area were rolled over, driving a 14.7% increase in passing base rents (based on lettable floor area) from HK\$144.26 per sq. ft. to HK\$165.44 per sq. ft. Income from turnover rent was only marginally lower at HK\$96.5 million (2013: \$99 million). The positive base-rental reversion, together with steady turnover rent income, resulted in a 16.4% increase in rental income from HK\$631 million to HK\$735 million. Net operating expenses were up 13.7% to HK\$120 million. Net Property Income increased by 17.0%, to HK\$615 million.

Despite improved total net property income for Champion REIT in 2014, distribution of the REIT declined given higher financing costs and taxation. Interest expenses increased HK\$37 million from a higher average interest rate after the HK\$7.5 billion refinancing of bank loans in the middle of the year and because of incremental financing costs associated with the acquisition of additional floors at Citibank Plaza in 2013. There was also a HK\$48 million increase in taxes payable in the absence of one-off tax deductions in the second half of 2014.

CHAIRMAN'S STATEMENT

INVESTMENT IN LHI

As LHI is principally focused on distributions, the Group's core profit is derived from attributable distribution income, as we believe this will better reflect the financial return and economic interest attributable to our investment in LHI. As LHI was listed on 30 May 2013, distribution income in 2013 covered the period from 30 May 2013 to 31 December 2013. After taking into consideration of the distributions waived by the Group, distribution income from LHI came to HK\$306.0 million in 2014.

In 2014, distribution entitlement in respect of 13.1% of our holdings in the share stapled units of LHI

(before the impact of hotel management fee issued in units and additional units acquired) will be waived, and the said percentage will drop to approximately 4.4% in 2017 and all of our holdings are entitled to distributions in 2018.

It was a gesture by the Group, as a major investor of LHI to waive part of its distributions so as to minimise dilution impact on initial yield to other investors. The dilution arose from additional units issued at the time of the initial public offering. The additional capital has been raised to fund asset enhancement initiatives on the initial portfolio, which should help support performance and value of the properties of LHI going forward.

Year ended 31 December

| | 2014 HK\$ million | 2013 HK\$ million | Change |
|----------------------------------|----------------------|----------------------|--------|
| Attributable Distribution income | 306.0 | 189.0 | 61.9% |

INVESTMENT PROPERTIES

Year ended 31 December

| | 2014 HK\$ million | 2013 HK\$ million | Change |
|---------------------------------|----------------------|----------------------|--------|
| Gross rental income | | | |
| Great Eagle Centre | 140.5 | 143.0 | -1.7% |
| Eaton Serviced Apartments | 49.2 | 45.1 | 9.1% |
| United States Office Properties | 199.8 | 121.3 | 64.7% |
| Others | 27.5 | 25.1 | 9.6% |
| | 417.0 | 334.5 | 24.7% |
| Net rental income | | | |
| Great Eagle Centre | 128.8 | 128.2 | 0.5% |
| Eaton Serviced Apartments | 31.7 | 28.1 | 12.8% |
| United States Office Properties | 100.5 | 51.6 | 94.8% |
| Others | 1.8 | 1.7 | 5.9% |
| | 262.8 | 209.6 | 25.4% |

CHAIRMAN'S STATEMENT

Great Eagle Centre

Although occupancy of office space in Great Eagle Centre appeared to have increased in 2014 as compared with that a year ago, the increase was primarily due to a reduction of available lettable area, where the Group took up more space to house its hotel management subsidiary since January 2014. Excluding owner-occupied space, office space leased to third parties, from which rental income is booked, actually dropped as of December 2014 as compared with that a year ago.

Despite less office space was leased to third parties, office rental income in the first half of 2014 was supported by growth in average passing rent. However, growth in average passing rent slowed in the second half of 2014, and even with new leases that started contributing from the latter part of 2014, office rental income still dropped year-on-

year in the second half of 2014. The slower growth in average passing rent in the second half of 2014 was due to a lack of lease renewals, as asking rents for the office portion remained stable at between HK\$60 per sq. ft. to HK\$72 per sq. ft. on lettable floor area. For the retail portion, there was a modest year-on-year growth in retail rental income in 2014 given positive rental reversions.

As a result of lower office rental income, overall gross rental income for Great Eagle Centre dropped 1.7% year-on-year to HK\$140.5 million in 2014, while net rental income increased 0.5% to HK\$128.8 million. The small increase in net rental income achieved despite a drop in gross rental income was due to a higher cost base for comparison last year, where increased maintenance capital expenditure was incurred for the building in 2013.

| | As of December 2014 (sq. ft.) | As of December 2013 (sq. ft.) |
|--|--|--|
| Office space at Great Eagle Centre | | |
| Total lettable area | 173,308 | 173,308 |
| Space occupied by the Group and its subsidiaries | 38,097 | 25,509 |
| Lettable area used for the calculation of operating statistics (a) | 135,211 | 147,799 |
| Occupancy (b) | 98.9% | 92.9% |
| Office space occupied by third parties (a) x (b) | 133,680 | 137,283 |

| | As at the end of | |
|----------------------------------|--------------------------|------------------|
| | December 2014 | December 2013 |
| Office (on lettable area) | | |
| Occupancy | 98.9% | 92.9% |
| Average passing rent | HK\$63.8 | HK\$62.9 |
| Retail (on lettable area) | | |
| Occupancy | 93.5% | 99.4% |
| Average passing rent | HK\$100.0 | HK\$95.9 |

CHAIRMAN'S STATEMENT

Eaton Serviced Apartments

Growth in gross rental income for the Eaton Serviced Apartments in 2014 was driven by income growth at the Wanchai Gap Road property, as part of the rooms that had been converted to operate as guesthouse rooms yielded better. Meanwhile, performances of the two serviced apartments in Happy Valley were steady in 2014.

As compared with a 27% year-on-year growth achieved in gross rental income in the first half of 2014, there were less available rooms in the

second half of 2014, as the remaining rooms at the Wanchai Gap Road property that operated as serviced apartment were also converted to operate as guesthouse rooms. Furthermore, the negative impact arising from the "Occupy Central" protests added pressure on rental income in the second half of 2014. As a result, gross rental income dropped 4.5% year-on-year in the second half of 2014. For the year as a whole, rental income grew 9.1% year-on-year to HK\$49.2 million in 2014. With lower operating expenses incurred for the Wanchai Gap Road property, there was a 13.0% year-on-year growth in net rental income in 2014.

| | Year ended 31 December | |
|-----------------------|------------------------|----------|
| | 2014 | 2013 |
| (on gross floor area) | | |
| Occupancy | 78.0% | 73.6% |
| Average passing rent | HK\$48.5 | HK\$46.0 |

United States Properties

Upon successful transfer of the 500 Ygnacio property to the U.S. Fund in August 2014, and the transfer of the 353 Sacramento Street property in November 2014, there were no rental income contributions from these two properties after they had been transferred to the U.S. Fund. Subsequent to those transfer, performances of the transferred properties will be captured under the section of the U.S. Real Estate Fund.

Nonetheless, gross rental income still rose in 2014, which was attributable to the full year rental income contribution from the 123 Mission Street property, which was acquired in November 2013. San Francisco remains one of the strongest office markets in the U.S. and the asking rental rates in the area remained on an upward trend in 2014. Hence, spot rents at 353 Sacramento, 500 Ygnacio, and 123 Mission Street, all rose to levels above their average passing rents. However, spot rents at 2700 Ygnacio as at the end of 2014 were still below its average passing rent.

CHAIRMAN'S STATEMENT

Occupancy of the portfolio, which comprised of the 123 Mission Street and 2700 Ygnacio properties, stood at 84.9% as at the end of 2014 as compared to 91.1% as at the end of 2013. The lower occupancy was due to lower occupancy at the 2700 Ygnacio property. Average passing rent for the portfolio was US\$40.2 per sq. ft. on net rentable area

as of December 2014, as compared with US\$36.5 per sq. ft. a year ago and was driven by higher rents at the 123 Mission Street property. Overall, gross rental income rose 64.7% to HK\$199.8 million in 2014 (2013: HK\$121.3 million). With primarily lower tenant inducement costs incurred, net rental income rose 95.1% to HK\$100.6 million in 2014 (2013: HK\$51.6 million).

| | As at the end of | |
|---|------------------|------------------|
| | December 2014 | December 2013 |
| (on net rentable area of 2700 Ygnacio and 123 Mission Street) | | |
| Occupancy | 84.9% | 91.1% |
| Average passing rent | US\$40.2 | US\$36.5 |

U.S. Real Estate Fund

In April 2014, the Group announced that it had signed an agreement with a joint venture partner, China Orient Asset Management (International) Holding Limited ("COAMCI"), a wholly-owned subsidiary of China Orient Asset Management Corporation, to establish a fund targeting at investment in office properties in the United States. The investment mandate had been subsequently expanded to include residential development projects allowing increased investment flexibility of the U.S. Fund. Under the terms of the agreement, Great Eagle will inject three of its office properties in San Francisco, U.S. as its committed capital or equity investment, whereas COAMCI will commit to invest US\$150 million of committed capital. The three properties to be injected into the U.S. Fund by Great Eagle are 500 Ygnacio, 353 Sacramento Street and 123 Mission Street.

More importantly, the Group acts as the asset manager of the U.S. Fund with an 80% stake in

the asset management company, while COAMCI holds the remaining 20% stake. After the initial first closing, the U.S. Fund will raise capital from other independent investors, with a total commitment, including the capital committed by the Group and COAMCI of up to US\$1 billion. The asset manager will receive asset management fee income based on both the size and performance of the U.S. Fund.

Given the Group has an equity stake in the U.S. Fund and acts as its asset manager, the financials of the U.S. Fund have been consolidated into the Group's financial statements under statutory accounting principles. Furthermore, asset manager fee earned by the Group has also been eliminated after intra-Group eliminations. However, one of the reasons that the Group had decided to set up the U.S. Fund was to expand on our management fee income. In order to reflect the growth in our management fee income, the Group will book its share of asset management fee income from the U.S. Fund under the Group's core profit.

CHAIRMAN'S STATEMENT

As for the booking of return on our equity investment in the U.S. Fund, which is included in the Group's core profit, this will be based on the distribution received on our share of investment in the U.S. Fund, whereas our share of net asset in the U.S. Fund will be included in the Group's core balance sheet. Given the U.S. Fund is primarily focused on growth of its net asset and it also invests in development projects that does not generate recurring periodic income, we believe that the distribution, which is based on realised proceeds, fits most with our definition of core profit and appropriately reflects the return on our investment in the U.S. Fund.

The U.S. Fund initially closed in August 2014 with the transfer of the 500 Ygnacio property, while 353 Sacramento was transferred to the U.S. Fund in November 2014. As at the end of 2014, total net asset value of the fund stood at US\$197.3 million, which comprised of net asset value of the two transferred properties amounted to US\$96.3 million and US\$101 million of cash contributed by COAMCI. As such, the Group's interest in the U.S. Fund stood at 48.9% as at the end of 2014. The transfer of the remaining 123 Mission Street will likely take place in mid 2015 after the loan, which bears a high prepayment penalty, has been refinanced. Other than the properties contributed by the Group, the Group, acting as the U.S. Fund's asset manager, had acquired a site in San Francisco for residential developments. This acquisition was funded by part of the cash contributed by COAMCI.

The acquisition of a site in the traditional luxury residential neighborhood of Nob Hill in San Francisco was completed in January 2015, and we are currently performing due diligence on another site that is located in a well soughtafter neighborhood in New

York. Nonetheless, given assets under management of the U.S. Fund remained small in 2014, only HK\$4.5 million in asset management fee for our 80% stake in the asset management company of the U.S. Fund was booked in 2014. This was included under "Other Operations" in profit from operations. There was no distribution income from the U.S. Fund in 2014.

FINANCIAL REVIEW

DEBT

On statutory basis, after consolidating the results of Champion REIT, LHI and U.S. Fund, the consolidated net debts of the Group as of 31 December 2014 was HK\$17,902 million, an increase of HK\$2,029 million compared with that as of 31 December 2013. The increase in reported net borrowings at the balance sheet date was mainly due to payment of the premium for land acquisition at Pak Shek Kok, as offset by cash receipt from redemption of link notes, and consolidation of a bank loan of a previous associate which were reclassified to a subsidiary after acquisition of the remaining interest by the Group in December 2014.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2014 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK\$51,770 million, representing an increase of HK\$1,814 million compared to the value of HK\$49,956 million as of 31 December 2013. The increase was mainly attributable to the profit for the year, increase in share premium due to additional shares issued and other reserves offset by dividends paid during the year.

CHAIRMAN'S STATEMENT

For statutory accounting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT, LHI and U.S. Fund. Based on such statutorily reported consolidated net debts ("Reported Debts") and equity attributable to shareholders, the gearing ratio of the Group as at 31 December 2014 was 34.6%. However, since only 61.7%, 58.2% and 48.9% of the net debts of

Champion REIT, LHI and U.S. Fund respectively are attributable to the Group, and debts of these three subsidiary groups had no recourse to the Group, we consider it is more meaningful to account for the net debts based on sharing of net assets of those subsidiaries instead of Reported Debts, and the resulting net cash position is illustrated below:

| | Consolidated HK\$ million | Sharing of Net Assets* HK\$ million |
|--|------------------------------|---|
| Net debt (cash) and gearing ratio at 31 December 2014 | | |
| Great Eagle | (1,676) | (1,676) |
| Champion REIT | 13,698 | – |
| LHI | 6,151 | – |
| U.S. Fund | (271) | – |
| Net debts (cash) | 17,902 | (1,676) |
| Equity Attributable to Shareholders of the Group | 51,770 | 59,339 |
| Gearing ratio as at 31 December 2014 | 34.6% | n.a. |

* Net debts/(cash) based on the sharing of net assets of the subsidiary groups.

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, principal protected notes with reputable banks and financial institutions as counter-parties and selected quality equities. As at 31 December

2014, the market value of these bonds and notes amounted to HK\$425 million and invested securities amounted to HK\$801 million. Should these amounts be taken into account, the consolidated net borrowings and gearing ratio would be reduced to HK\$16,676 million and 32.2% respectively. The net cash based on sharing of net assets of Champion, LHI and U.S. Fund would be correspondingly increased to HK\$2,902 million.

CHAIRMAN'S STATEMENT

The following description is based on the statutorily consolidated financial statements:

Indebtedness

Our gross debts (including medium term note) after consolidating Champion REIT, LHI and U.S. Fund amounted to HK\$28,101 million as of 31 December 2014. Foreign currency gross debts as of 31 December 2014 amounted to the equivalent of HK\$7,800 million, of which the equivalent of HK\$4,084 million or 52% was on fixed-rate basis.

Finance Cost

The net consolidated finance cost incurred during the year was HK\$345 million. Overall interest cover at the reporting date was 9.5 times.

Liquidity and Debt Maturity Profile

As of 31 December 2014, our cash, bank deposits and undrawn loan facilities amounted to a total of HK\$13,948 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding gross debts as of 31 December 2014:

| | |
|---------------|-------|
| Within 1 year | 11.5% |
| 1-2 years | 33.9% |
| 3-5 years | 42.1% |
| Over 5 years | 12.5% |

Pledge of Assets

At 31 December 2014, properties of the Group with a total carrying value of approximately HK\$58,459 million (31 December 2013: HK\$57,509 million) and RMB equivalent bank deposit of HK\$847 million were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

Commitments and Contingent Liabilities

At 31 December 2014, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK\$931 million (31 December 2013: HK\$104 million) of which HK\$181 million (31 December 2013: HK\$77 million) was contracted for.

At 31 December 2014, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to HK\$33 million) (31 December 2013: RMB25.8 million).

At 31 December 2014, the Group has outstanding commitments for the acquisition of a hotel development project located at Minhang District, Shanghai, the PRC of RMB868.5 million (equivalent to HK\$1,086 million) and a for-sale condominium development project in the City of San Francisco, the USA of US\$21 million (equivalent to HK\$163 million). The Group also has the outstanding commitments (in respective form of cash and injection of properties) to the China Fund and the U.S. Fund of US\$90 million (equivalent to HK\$698 million) and US\$133.7 million (equivalent to HK\$1,037 million) respectively.

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

CHAIRMAN'S STATEMENT

OUTLOOK

Compared with a year ago, we are seeing growing divergence between the major economies. Recovery in the US economy continues to consolidate. Deflation risk is rising for the Euro zone. Japan is facing significant challenges and China is seeing slower economic growth. The major central banks are trying to address their respective issues and it is being reflected in diverging monetary policies.

On the whole, monetary policies remain to be supportive in all the major advanced economies, which should backup global economic growth in 2015. Nonetheless, as global recovery continues to be uneven, we must remain vigilant as the outlook seems to be uncertain. In particular, we should be prepared to deal with the prospects of rising U.S. interest rates, and be ready to respond to uncertainties in the global economy.

For the three Hong Kong hotels owned by LHI, they are still experiencing the lingering effects of the "Occupy Central" activities last year. However, with the effect dissipating, RevPAR in 2015 should recover since there will be less supply of new hotels in 2015.

In terms of the outlook for the overseas hotels, with the exception of the hotel in Washington D.C., which will be closed for renovation, our other hotels in the U.S. should benefit from further recovery of the U.S. economy. The Langham Chicago should achieve profit in 2015 after it almost broke even in 2014 having just been opened in 2013. As the UK

is hosting the 2015 Rugby World Cup, our hotel in London should benefit, especially after renovation of the suites last year. The performance of the hotels in Australasia should be steady. The reopened Sydney hotel is expected to achieve profit after its temporary closure for renovation work last year. In China, there will be a full year EBTIDA contribution from The Langham, Xintiandi, Shanghai after we have acquired full interest in the hotel in December 2014.

Champion REIT's distribution is likely to be lower in 2015. While sustained income growth is expected at Langham Place, it will nonetheless be insufficient to compensate for the lower income at Citibank Plaza.

The prudent and targeted expansion strategy that we have deployed over the past years had laid a solid foundation for the Group's earnings in future and should drive the long term performance for the Group. In the meantime, with our strong balance sheet and cash flow generations, we will selectively explore value-added investments that will either be accretive to the Group's net asset value or expected to have a synergistic effect on our current businesses.

Lo Ka Shui

Chairman and Managing Director

Hong Kong, 5 March 2015

CORPORATE SOCIAL RESPONSIBILITY



Citi International Case Competition



Green Monday Luncheon



McDull A Sentimental Little Christmas



Cheers For Play 2014

CORPORATE SOCIAL RESPONSIBILITY

Create Value, Improve Quality of Life – this is our CSR Vision, which is based on our belief that CSR will:

- create long-term value for our customers, partners, investors, employees and community;
- improve the quality of life in our workplace as well as the local community and the world at large.

This year report focuses on the Group's environmental and social performance of our major businesses which include development, investment and management of hotels and properties. It continues to make reference to the Environmental, Social and Governance Reporting ("ESG") Guide which is issued by the Hong Kong Exchanges and Clearing Limited. The report is structured according to the four ESG subject areas:

- Workplace Quality
- Environmental Protection
- Operating Practices
- Community Involvement

In addition to these four ESG subject areas, we have documented on how we make and implement decision in pursuit of our CSR objectives in section "CSR Management". Selected key performance indicators are also supplemented to illustrate our CSR performance.

Our continuous efforts in CSR are reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index in four consecutive years. Remarkably, the ESG performance rating company for the selection, Hong Kong

Quality Assurance Agency, has granted us "AA" rating which is among the top performers of listed companies in Hong Kong. Our subsidiaries also received numerous prestigious CSR related awards and recognitions as listed in the following sections of this report.

In 2014, our Hotel Division, Langham Hospitality Group, issued their third sustainability report, "Let's CONNECT", which reviews their current systems and performance, and sets out their environmental and social objectives for the coming years.

CSR MANAGEMENT

Supporting our CSR Vision is a strong CSR Management framework which encompasses the following elements:

- The CSR Steering Committee: the Committee is responsible for enabling our Group to take responsibility for CSR impacts of our decisions and activities, and for integrating CSR throughout the organisation. The Committee comprises members from the Board and management from key areas of the Group, serving as a senior level working group for determining the Group's CSR direction;
- The Group CSR Policy: the Policy provides a robust framework and direction to implement CSR and embed CSR into our organisational culture;
- Risk Assessment & Strategy: the Committee regularly conducts risk assessment in order to determine the material CSR issues with the top priority, which require managing actions. A CSR strategy is developed to enable the Group to focus our efforts on these issues.

CORPORATE SOCIAL RESPONSIBILITY

We recognise that engaging our stakeholders is vital for understanding the impact of our operations on different groups, as well as material issues that may impact us or them. In 2014, we completed our first stakeholder engagement by appointing an external consultant. The consultant assisted us to identify employees, tenants, suppliers, investors and media as our key stakeholders to engage. The results of the engagement were taken into consideration when we prioritised our material issues and reviewed our existing CSR strategy at the CSR Steering Committee meeting.

Based on the results of the engagement and risk assessment, we have identified two new CSR material issues, namely "Community Involvement" and "Communication". A CSR strategy has been developed to manage these two issues.

In Community Involvement:

- we partner with non-profit organisation to design a few deserving projects in three major themes (please refer to section "Community Involvement");
- we encourage colleagues to actively participate in the projects by, for example, organising volunteering activities, arranging VIP time for colleagues to attend the project events.



In Communication:

- internally, we communicate our CSR efforts to colleagues through intranet, monthly CSR tips and orientation;
- externally, we communicate our CSR efforts to tenants, customers, investors and media through CSR Report, community projects, and newsletters.

In addition to establishing our CSR Management framework to achieve our CSR vision, we believe a CSR culture in our Group is a crucial factor. To this end:

- we convey CSR in a friendly and fun way by branding our CSR efforts as "CSR Action", which consists of seven "Great Actions" icons to represent our CSR commitments in human rights, labour practices, the environment and so forth;
- a CSR awareness workshop has been developed based on the "Great Actions". The workshop educates colleagues about CSR through interesting lecture and interactive games.



"CSR Action" Promotion Poster and Training

CORPORATE SOCIAL RESPONSIBILITY

WORKPLACE QUALITY

We are dedicated to adhering to all anti-discrimination laws and encouraging a 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 for a position with the Group or during employment.

In 2014, we supported employment of persons with disabilities by participating in Labour and Welfare Bureau's Talent-Wise Employment Charter & Inclusive Organisations Recognition Scheme and was acknowledged as a "Partnering Inclusive Organisation". One of our practices is the partnership of our Hotel Division with Hong Chi Association whose trainees work in their back of house areas and support day-to-day operations (e.g. housekeeping, cleaning and laundry services). The teamwork between the trainees and the colleagues has successfully built a culture of respecting people differences in the workplace.

Total Workforce by Age Group & Gender

| Business | Under 20 years old | 20 & under 30 years old | 30 & under 40 years old | 40 & under 50 years old | 50 & over years old | Male | Female |
|--------------------------------|-----------------------|----------------------------|----------------------------|----------------------------|------------------------|------|--------|
| Hotel | 2% | 31% | 27% | 20% | 20% | 51% | 49% |
| Property & Others ¹ | 1% | 18% | 27% | 24% | 30% | 61% | 39% |

Total Workforce by Geographical Region

| Business | Hong Kong | PRC | Europe | North America | Oceania |
|--------------------------------|-----------|-----|--------|------------------|---------|
| Hotel | 29% | 9% | 7% | 35% | 20% |
| Property & Others ¹ | 89% | 11% | | | |

Total Workforce by Employment Type & Employment Contract

| Business | Full-time | Part-time | Permanent | Contract |
|--------------------------------|-----------|-----------|-----------|----------|
| Hotel | 85% | 15% | 99% | 1% |
| Property & Others ¹ | 99% | 1% | 88% | 12% |

Note:

- Property & Others include businesses such as property development, property management, trading and fitness centre in Hong Kong and China.

CORPORATE SOCIAL RESPONSIBILITY



Fire Drill



Floor Insulating Mats for Electrical Works

In addition to creating 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 Hotel Division:

- implements occupational health and safety systems with policies, committees and operating procedures in each property;
- regularly reviews safety performance and emergency preparedness measures (e.g. fire drill, chemical handling) so as to continuously improve the safety systems;
- organises training and activities (e.g. Workplace Health and Safety Week) to enhance colleagues awareness on maintaining a safe and healthy workplace environment.

Our Property Management Division is also committed to providing a safe and healthy workplace for the tenants and shoppers. The Division has established a health and safety management system and obtained OHSAS 18001 Occupational Health and Safety Management System certification. Through the management system, the Division:

- identifies health and safety hazards which are in turn managed by operating procedures and safety devices;
- establishes Safety Committees which aim to implement action plans and review effectiveness of the management system with a view to achieving zero accident;
- uses checklists to monitor, for example, working in confined space, installing electrical systems and manual handling;
- provides ongoing training courses such as in-house training and tool-box talk to frontline staff.

CORPORATE SOCIAL RESPONSIBILITY



Training on Use of Fall Arrestor System



Business Innovation Workshop

Work Related Fatalities & Lost Working Days Due To Injuries

| Business | Total workforce hours (in thousands) | Number of fatalities | Lost working days due to injuries |
|--------------------------------|--------------------------------------|----------------------|-----------------------------------|
| Hotel | 10,513 | 0 | 2,918 |
| Property & Others ¹ | 1,946 | 1 | 468 |

Note:

- Property & Others include businesses such as property development, property management, trading and fitness centre in Hong Kong and China.

Provision of opportunities for training and development 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. In 2014, “The 7 Habits of Highly Effective

People” and “Business Innovation” continued to be the training programme highlights provided to our colleagues:

- “The 7 Habits of Highly Effective People” conveys the importance of personal and interpersonal leadership that helps individuals to see, think and act differently in order to produce better performance and business results;
- Business Innovation Workshop focuses on the core concept of creativity and problem solving from different perspectives as well as to widen the mind and vision of colleagues towards world-class practices which can be applied in business.

Performance Review assists our colleagues to keep track of their performance and determine development needs. Our Performance Appraisal System provides a mechanism for colleagues to review together with their superior about their performance, establish key objectives as well as determine their training and development needs.

CORPORATE SOCIAL RESPONSIBILITY



Eco-detergent Making Workshop



Visit to Organic Farm

Percentage of Employees Receiving Regular Performance and Career Development Reviews

| Business | Employee receiving performance reviews |
|-----------------------------------|---|
| Hotel ¹ | 99% |
| Property & Others ^{2, 3} | 100% |

Notes:

1. Hong Kong and China employees who are eligible to receive performance review during the reporting year.
2. Property & Others include businesses such as property development, property management, trading and fitness centre in Hong Kong and China.
3. Employees joined from 1 August to 31 December are not subject to review for the year as per policy.

We recognise that productive employees are those who maintain a healthy work-life balance. To promote the importance of this, during the year, we organised various interest classes and recreational events with a theme in “green”, such as:

- Green cooking
- Eco-detergent making workshop
- Visiting organic farm
- One day tour to Hong Kong Geopark

Not only did the activities facilitate colleagues to know each other, but also promoted team spirit throughout the Group.

Our Hotel Division’s outstanding efforts in people strategies and practices enable them to be recognised by several prestigious awards:

Langham Place Hotel, Hong Kong:

- Hong Kong Institute of Human Resources Management’s HR Excellence Awards 2014 – Cultural Change
- American Society for Training and Development’s 2013 Excellence in Practice Citation – Performance Improvement
- The Family Council’s Distinguished Family-Friendly Employers 2013/14 Award

Eaton Chelsea, Toronto:

- The Marketing and E-Business Manager was chosen by the Ontario Hospitality Institute for the Top 30 Under 30 in 2014

CORPORATE SOCIAL RESPONSIBILITY



HR Excellence Awards



Top 30 Under 30

The Langham, Melbourne:

- The Director of Quality was awarded the Administration Employee of the Year at the 2014 Tourism Accommodation Australia (Victoria) Awards for Excellence

ENVIRONMENTAL PROTECTION

Minimising the significant impact of our operations on the environment is a key component of our Group CSR Policy. To concert the Group's efforts in environmental protection, Green Champion Working Group has been established. The working group is formed by nominated Green Champions from business units/departments to share and learn green practices from each other and in turn spread the best green practices in the Group. Several green awareness campaigns were also launched by the working group in 2014:

- Green Monday Luncheons: encouraged colleagues to go meatless on Mondays. Green Monday luncheons were organised at our various office locations during the year;
- Loving Heart Charity Sales: invited colleagues to donate their new or used items they no longer required to the Sales for other colleagues to buy. The money received from the Sales was donated to the Salvation Army for charity purpose;
- Mooncake Collection Campaign: collected surplus mooncakes from colleagues. The collected mooncakes were in turn distributed to needy people.



Green Monday Luncheon

CORPORATE SOCIAL RESPONSIBILITY



Loving Heart Charity Sales

Our Hotel Division aims at being one of the role models amongst hospitality operators for environmental impact, awareness and reduction. As such, the Division:

- partners with the EC3 Global EarthCheck Programme which offers a credible independent auditing and monitoring service on environmental benchmarking and sustainability certification;
- attained Gold Certified status in the programme for three hotels and six hotels received Silver Certified status as well as one hotel received Bronze Benchmarked status;
- one hotel continues its participating in the Hotel Association of Canada's 4 Green Key ECOMmodation Rating program.

The Hotel Division has also introduced environmental-friendly facilities and programmes at the hotels including:

- replacing tungsten halogen lamps and traditional fluorescent tubes with LED;
- installing in-room recycle bins in guest rooms;
- participating in Green Luck Banquet (which is a banqueting program promoting shark fin-free, less meat banquets, and collecting surplus food from banquets by local charitable organisations for redistributing to people in need) and Earth Hour.



Green Luck Banquet

CORPORATE SOCIAL RESPONSIBILITY



Earth Hour



Replacement of Chiller System

Our Property Management Division continues to minimise significant environmental impacts of our operation and improve the performance by implementing ISO 14001 Environmental Management System Standard. To reduce our energy consumption and carbon emission, the Division has:

- retrofitted LED light fittings with motion sensors;
- installed Variable Speed Drive (VSD) for chilled water pumps;
- installed automatic tube cleaning system for chillers;
- replaced air-cooled chiller system by water-cooled chiller system.

To reduce water consumption, the Division has:

- installed automatic low flow water faucet for wash basin;
- drawn underground water for irrigation;
- arranged prompt remedial action on water leakage.



Automatic Low Flow Water Faucet

To protect the environment, Property Management Division understands it cannot be done solely by themselves and must seek partnership with the tenants. As such, the Division has:

- introduced a few recycling initiatives to collect paper, used batteries and so forth from the tenants;
- recognised their efforts by presenting souvenirs to the outstanding participants at Green Christmas Celebration;
- organised green workshops such as organic farming workshop and Green Monday talk for the tenants.

CORPORATE SOCIAL RESPONSIBILITY



Organic Farming Workshop

Energy Consumption (GJ)

| Business | Direct energy consumption | Indirect energy consumption |
|--------------------------------|---------------------------|-----------------------------|
| Hotel ¹ | 268,535 | 539,073 |
| Property & Others ² | 191 | 208,761 |

Carbon Emissions (tonnes CO₂-eq)

| Business | Direct carbon emission | Indirect carbon emission |
|--------------------------------|------------------------|--------------------------|
| Hotel ¹ | 15,428 | 58,794 |
| Property & Others ² | 878 | 47,297 |

Water Consumption (m³)

| Business | |
|--------------------------------|-----------|
| Hotel ¹ | 1,368,692 |
| Property & Others ² | 394,484 |

Notes:

- Hotel includes owned hotels only.
- Property & Others includes communal area of three owned and/or managed major properties: Citibank Plaza, Great Eagle Centre and Langham Place (Office Tower & Shopping Mall) only.

Our Property Development & Project Management Division is committed to pursue environmental initiatives during the development and project management process. Starting from planning, design, construction, to subsequent collaboration with Hotel Division and Property Management Division, the environmental impacts in the life cycle of new development and renovation projects are evaluated. The Division also aims to adopt building rating schemes for their projects:

- The Langham, Chicago opened in July 2013 is at the final stage in the LEED assessment;
- The new development in Pak Shek Kok, Hong Kong, comprising of 600 to 700 nos. of luxurious residential units, is targeted to submit for BEAM Plus certification (Gold and above), and will be designed to comply with the Sustainable Building Design Guidelines.

In our corporate office, our Administration Division continues to implement green practices according to the slogan "ER3" (Environmental Protection, Recycle, Reduce and Reuse). The following green practices were implemented in 2014:

- Electricity Saving: sets timer control to turn off copiers, escalators and lightings at common area;
- Peach Blossom Recycling: participates in the Recycle Programme of Peach Blossom which aims to recycle festive items;
- Paper Reduction: uses recycled paper for name card and envelop, and provides hyperlink for colleagues to read government's documents online.

CORPORATE SOCIAL RESPONSIBILITY

In recognition of our efforts in environmental protection, our Hotel Division and Property Management Division were honoured by the following awards:

- Environmental Campaign Committee's 2013 Hong Kong Award for Environmental Excellence (HKAEE) Sectoral Award:
 - o Eaton Hotel: Gold Award (Hotels and Recreational Clubs)
 - o Citibank Plaza: Silver Award (Property Management)
- Green Council's 2014 Green Management Award (Corporation) – Service Provider:
 - o Langham Place: Gold
 - o Great Eagle Centre: Bronze
- Leisure and Cultural Services Department's Best Landscape Award 2014:
 - o Citibank Plaza: Merit Award (Non-Domestic Property)

The awards demonstrate our environment consciousness and excellent operational environmental management.

To combat climate change and save energy:

- The Group joined the carbon footprint repository which enables listed companies in Hong Kong to disclose their carbon footprints and share successful stories on carbon management and practices;
- Property Management Division continued to support the "Energy Saving Charter" scheme. Other than signing the pledge, the Division also promulgated the message to the tenants and a significant increase of participation rate has been observed comparing to 2013.



HKAEE Sectoral Award



Green Management Award



Carbon Footprint Repository Launching Ceremony

CORPORATE SOCIAL RESPONSIBILITY



Energy Saving Charter Launching Ceremony

OPERATING PRACTICES

The Group is committed to adhering to the highest ethical standards, both in employee and supplier level. To this end:

- all employees are given a Code of Conduct to which they are required to adhere to. 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 colleagues with regard to conflicts of interest;
- the Group recognises through leadership and monitoring along the supply chain, we can promote adoption and support of fair operating practices. To guide this CSR aspect in our supply chain more systematically and demonstrate how such aspect accords with our Group CSR Policy, the Supplier Code of Conduct has been established and communicated through our tendering documents.

We are committed to offering superior quality products and services to our customers by satisfying their expectations and needs – whether they are guests at our hotels or tenants or shoppers at properties under our management.

Our Hotel Division strives for knowing our guests better than the others and building the greatest hotel memories. To meet this end:

- a robust Quality Assurance System has been set up in the hotels to ensure a high standard of quality;
- the system includes various Voice of the Customers (VOC) systems such as online guest surveys for post-stay and pre- and post-events, and feedback cards in guestrooms, restaurants, spa and banquets;
- various mystery shopper programmes such as hotel overall, reservations, event, are conducted by third-party professional quality audit companies;
- since 2013, we have centralised the guest feedback system for our meeting planners online. The platform allows us to respond immediately to guest comments, requests, and complaints to follow through resolution and build satisfaction and loyalty.

To accelerate strategic thinking and business management skills of students, and groom them to become effective global business leaders of the 21st Century, our Hotel Division was invited to be the case company for the Citi International Case Competition. Around 90 top business school students from 18 leading universities participated in this competition. Based on our case, the students evaluated the effectiveness of the strategies and provided recommendations to the Division.

Our Property Management Division continues to implement ISO 9001 Quality Management System which ensures that they meet the needs of customers and enhance customer satisfaction. To this end, the Division:

- regularly sends questionnaires to tenants to obtain their feedback;

CORPORATE SOCIAL RESPONSIBILITY



Citi International Case Competition

- has established “Customer Feedback System” to collect appreciation, complaint and general enquiry from the customers;
- timely replies feedback to the customers and determines improvement actions.

In 2014, to further enhance the customer services, the Division arranged a major restroom renovation in Langham Place Shopping Mall aiming to provide a more comfortable and tidy environment for tenants and shoppers.

In recognition of our efforts in providing superior quality services, our Hotel Division and Property Management Division received the following awards:

- The Langham Hong Kong: Hong Kong Management Association’s 2014 HKMA Quality Award – Silver Award
- The Langham, Chicago:
 - o Travel + Leisure’s 2014 World’s Best Award – ranked 1st for hotels in the United States and ranked 6th among the world’s best hotels
 - o Conde Nast Traveler’s 2014 Readers’ Choice Awards – No. 3 hotel in the United States



Major Restroom Renovation

- The Langham, Xintiandi, Shanghai:
 - o Conde Nast Traveler China – Gold List 2014
- Citibank Plaza:
 - o The Hong Kong Institute of Surveyors’ Quality Property & Facility Management (QPFM) Award 2014 – Grand Award (Office Building Management)
 - o Royal Institution of Chartered Surveyors’ RICS Hong Kong Property Awards 2014 – Property Management Team of the Year
 - o Hong Kong Awards for Industries – Customer Service 2014
- Langham Place (Office Tower and Shopping Mall):
 - o Hong Kong Small and Medium Enterprises Association’s Hong Kong Star Brands Award 2014 (Enterprise)

CORPORATE SOCIAL RESPONSIBILITY



HKMA Quality Award



QPFM Award



RICS Hong Kong Property Awards



Hong Kong Star Brands Award

COMMUNITY INVOLVEMENT

Our community involvement strategy focuses on three thematic areas – **Arts, Children Education, and Environmental Protection**:

- We believe arts is important to Hong Kong as a world class city. Arts could enrich the daily lives of the people and promote social progress and cultural development;
- We believe that Hong Kong's future relies heavily on the next generation. Children in preschool education and kindergarten, in particular, are in their prime period to learn and acquire knowledge;
- Environmental protection is a subject which is essential to our organisational culture and it should be extended to the community at large.

CORPORATE SOCIAL RESPONSIBILITY

Based on the themes, we partner with non-profit organisations to design a few deserving projects in these areas. We believe by focusing all of our philanthropic resources – financial, volunteer, and in-kind – on these projects, we can engender greater social impact. The following projects were sponsored by us in 2014:

- Arts: to bring classical music closer to the community, we sponsored Hong Kong Sinfonietta's "Great Eagle Family Series – McDull A Sentimental Little Christmas" and Hong Kong Philharmonic's "Planet Earth in Concert". Both concerts brought the audience into the wonderful world of classical music through innovative programming and energetic performance;



McDull A Sentimental Little Christmas

- Children Education: we believe "play" not only could enhance physical and emotional growth of children, but also nurture a better relationship of a family. In view of the importance of "play", we continued to sponsor Playright Children's Play Association to hold the third "Great Eagle Playright Cheers for Play 2014". The event was held at West Kowloon Cultural District which attracted a large crowd and public attention on children's rights to play;



Cheers for Play 2014

- Environmental Protection: we continued to sponsor Green Monday's "Great Eagle Green Movement – Let's Green Monday", which lined up a series of events and activities to promote this green life style to the community. Our subsidiaries also offered in-kind support to the campaign, for example, Hotel Division launched a new Green Monday menu at each restaurant and our Marketing Division hosted an exhibition of the campaign at Langham Place.



Let's Green Monday Gala Dinner

CORPORATE SOCIAL RESPONSIBILITY

In addition to financial and in-kind support to the above community projects, our volunteering team plays an important role in supporting the projects. Our volunteers assisted in “Cheers for Play” and did a good job in setting up and being play ambassadors. The team also promoted “Let’s Green Monday” by distributing postcards to customers at Langham Place.

Other than designing a few deserving projects with non-profit organisations, we strive to contribute to the development of arts and local talents in Hong Kong. As such, our Marketing Division has introduced Musica del Cuore (an Italian term for “Music of the Heart”) at Citibank Plaza. Musica del Cuore is a free weekly concert series which transforms the ground floor lobby of Citibank Plaza into a “community concert stage”, presenting some of the finest Classical repertoires to the general public.

In addition to Musica del Cuore, we are also the patrons of the following major arts events:

- Hong Kong Arts Festival Patron Club: Silver Member
- Friends of Le French May Arts Festival: Patron Bronze



Musica del Cuore



Volunteering at Cheers for Play and Let’s Green Monday

To promote best practices in environmental excellence and exchange knowledge amongst the top CSR leaders, we are the members of:

- Business Environment Council: Council Member
- Hong Kong Green Building Council: Bronze Patron Member
- World Wild Fund for Nature Hong Kong: Silver Member

Our community involvement efforts have enabled the Group and several subsidiaries to continue to be awarded the “Caring Company” logo accreditation by the Hong Kong Council of Social Service.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui

Chairman and Managing Director

Dr. LO Ka Shui, aged 68, has been a member of the Board since 1980. He is the Chairman, Managing Director of the Company, the Chairman of the Finance Committee and a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. Dr. Lo is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. 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, a Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo 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 over three decades of 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, all being Directors of the Company. Also, he is the father of Ms. LO Bo Lun, Katherine and Mr. LO Chun Him, Alexander, both being senior management of the Company.

Mr. LO Kai Shui

Executive Director and Deputy Managing Director

Mr. LO Kai Shui, aged 55, has been a member of the Board since 1984. He is the Deputy Managing Director, a member of the Finance Committee and a director of various subsidiaries of the Company. Mr. LO is also a Non-executive Director of the Manager of the publicly listed Champion Real Estate Investment

Trust and the founder of Sun Fook Kong Group Limited. He has decades 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, all being Directors of the Company. Also, he is an uncle of Ms. LO Bo Lun, Katherine and Mr. LO Chun Him, Alexander, both being senior management of the Company.

Madam LO TO Lee Kwan

Non-executive Director

Madam LO TO Lee Kwan, aged 95, 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 is the 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, all being Directors of the Company. Also, she is the grandma of Ms. LO Bo Lun, Katherine and Mr. LO Chun Him, Alexander, both being senior management of the Company.

Mr. CHENG Hoi Chuen, Vincent

Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 66, 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 a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheng is an Independent Non-executive Director of China Minsheng Banking Corp., Ltd., MTR Corporation Limited, Hui Xian Asset Management Limited (Manager of the public listed Hui Xian Real

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Estate Investment Trust), CLP Holdings Limited, Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and Hutchison Whampoa 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 a Vice Patron of Community Chest of Hong Kong and a member of the Advisory Committee on Post-service Employment of Civil Servants. In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. 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 62, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1995 and is the Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee of the Company. Professor Wong is Chair 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. He is an adviser of Our Hong Kong Foundation. Professor Wong is an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc., Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited, all of which are companies whose shares are

listed on the Stock Exchange. Professor Wong is also an Independent Non-executive Director of The Link Management Limited (Manager of the publicly listed The Link Real Estate Investment Trust) and Industrial and Commercial Bank of China (Asia) Limited.

Mrs. LEE Pui Ling, Angelina

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 66, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and a member of both 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 Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Member of the Takeovers and Mergers Panel of the Securities and Futures Commission. 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 54, 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 decades 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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 73, is an Executive Director and a director of various subsidiaries of the Company. He has been a Director of the Group since 1967. Mr. Lo has been actively involved in property development, construction and investment for decades. 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, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander, both being senior management of the Company.

Madam LAW Wai Duen

Executive Director

Madam LAW Wai Duen, aged 78, is an Executive Director and a director of certain subsidiaries of the Company. She has been a Director of the Group since 1963. Madam Law 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 decades. Madam Law 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, all being Directors of the Company. Also, she is an aunt of Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander, both being senior management of the Company.

Mr. LO Hong Sui, Vincent

Non-executive Director

Mr. LO Hong Sui, Vincent, aged 67, 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 principally 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 and Shui On Land Limited, both are listed on the Stock Exchange, and the Chairman of China Xintiandi Limited, a wholly owned subsidiary of Shui On Land Limited. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is the Chairman of the Board of Airport Authority Hong Kong and a non-official member of Lantau Development Advisory Committee of the Hong Kong Government and an adviser of Our Hong Kong Foundation. 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, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander, both being senior management of the Company.

Dr. LO Ying Sui

Non-executive Director

Dr. LO Ying Sui, aged 62, 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. He 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, all being Directors of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Also, he is an uncle of Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander, both being senior management of the Company.

Mr. KAN Tak Kwong

Executive Director and General Manager

Mr. KAN Tak Kwong, aged 63, has been a Director of the Group since 1988. He is an Executive Director, the General Manager and a member of the Finance Committee of the Company. Mr. Kan also holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, The Great Eagle Properties Management Company, Limited, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Great Eagle (China) Investment Limited, Pacific Eagle Holdings Corporation and Pacific Eagle China Orient (Cayman) Real Estate GP, Ltd.. 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 decades of experience in finance, accounting, strategic development and corporate administration in the real estate, finance and construction industries.

The information in respect of any Director of the Company who is also a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out in the Report of the Directors.

SENIOR MANAGEMENT

HOTEL

Mr. Robert Allen WARMAN, aged 56, joined Langham Hospitality Group in 2014 as Chief Executive Officer. With more than 34 years' experience in the global luxury hospitality industry, Mr. Warman provides strategic guidance in the Company's operations, drives innovation, and oversees all the development processes on a global level. A graduate of DePaul University in Chicago,

Mr. Warman was most recently the president and chief operating officer of Capella Hotel Group, as well as co-chairman of the Capella Asia board. Prior to that, Mr. Warman had served for 18 years in various senior operational and executive roles at The Ritz-Carlton Hotel Company, from the first hotel in Buckhead, Atlanta through its expansion into 50 luxury hotels around the world.

Ms. LO Bo Lun, Katherine, aged 33, joined the hotel division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. She is a hospitality industry professional. In 2014, she was appointed President of Eaton Hotels. As President, she is launching and overseeing the global rebranding of a new generation of Eaton. She leads the global Eaton team to execute the new Eaton vision in concept, innovation, design, programming, branding, development, project openings, operations, marketing, public relations, and strategic partnerships. She is a Non-executive Director of the Manager of the publicly listed trust, Langham Hospitality Investments. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a daughter of Dr. Lo Ka Shui, the Chairman and Managing Director of the Company. She is also a granddaughter of Madam Lo To Lee Kwan, and a niece of Mr. Lo Kai Shui, 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, and an elder sister of Mr. Lo Chun Him, Alexander, being senior management of the Company.

Mr. LUK Chau Kwong, Eric, aged 55, is the Head of Finance and Legal of the Group's Hotel Division who rejoined the Group in 2002. He first joined the Group in 1994 and had held previous positions including Vice President – Finance and Group Financial Controller for Langham Hospitality Group and various capacities at hotel properties under the Group. He has more than 30 years' hotel management experience and works extensively on the management, operations and acquisition of the Group's hotel projects globally.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BUSINESS DEVELOPMENT AND FINANCE

Mr. CHU Shik Pui, aged 53, 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 30 years' aggregated experience in taxation, finance, accounting and investment.

Mr. MOK Siu Bun, Terry, aged 61, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 33 years' experience in accounting and finance in the real estate industry.

Mr. LAM Kin Kwok, Sherman, aged 55, joined the Group in September 2013 as Director of Strategy and Business Development and is the President of Pacific Eagle Holdings Corporation, overseeing Great Eagle's property investments and developments as well as real estate fund in the US. Mr. Lam held senior roles in both privately held and publicly listed organisations. Prior to Great Eagle Holdings, he served as the Chief Executive Officer of Rainbow Land Holdings Limited, the Chief Financial Officer of Langham Hotels International Limited, Strategic Planning and Development Director with the Fok Ying Tung Group and General Manager – Corporate Development of HKR International Limited. Mr. Lam had 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.

Mr. LO Chun Him, Alexander, aged 30, is a Senior Associate Director of Business Development of the Group. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Prior to joining the Great Eagle Group, he had worked at Citibank's investment banking division for two years with a focus on Hong Kong's market. He joined the Group in 2010 and has had experience in the hotel division as well as property management

and leasing. He is currently responsible for matters related to financial investments, business and project development for the Great Eagle Group, including commercial properties as well as hotel properties. He is a son of Dr. Lo Ka Shui, the Chairman and Managing Director of the Company. Also, he is a grandson of Madam Lo To Lee Kwan, and a nephew of Mr. Lo Kai Shui, 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, and a younger brother of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

CHINA

Mr. LU Ning, Michael, aged 42, joined the Group in May 2008. He is the Managing Director of the Group's Trading Division, and is also responsible for the Group's China strategy and investment. 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.

Mr. AU Ngai Ho, aged 57, 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 34 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

PROPERTY MANAGEMENT

Mr. LEUNG Tat Kai, Henry, aged 61, 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 31 years' experience in the real estate industry and property management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE AND ADMINISTRATION

Ms. WONG Mei Ling, Marina, aged 48, is the Group Company Secretary and the Head of Company Secretarial and Administration Department. Ms. Wong is also responsible for the company secretarial matters of the publicly listed trusts, Champion Real Estate Trust and Langham Hospitality Investments. 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 Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong respectively. Ms. Wong had over 20 years of post qualification experience in company secretarial and compliance. 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.

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 52, 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.

LEGAL

Mr. HUNG Ka Wai, aged 50, the Head of Legal of the Group, 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. Besides, he is also a graduate of the Law School of the University of New South Wales with a Master Degree in the Australian law. He

was admitted as a solicitor in Hong Kong in 1996 with more than 18 years of experience in corporate finance and compliance work in listed companies. He is also a member of the Chartered Institute of Arbitrators, the Institute of Chartered Accountants in England and Wales, Chartered Accountants Australia and New Zealand and The Hong Kong Institute of Certified Public Accountants.

PROJECT DEVELOPMENT

Mr. YEUNG Alfred Kwong Fai, aged 55, is the Managing Director of The Great Eagle Development and Project Management Limited overseeing the Group's project portfolio in Europe, North America, Asia and Australasia. Mr. Yeung has more than 25 years of experience in real estate and project management and has held directorate appointments in a number of multi-national companies before joining the Group in 2013. Mr. Yeung is a chartered architect by profession, qualified at Liverpool J.M. University and received Master Degree in Construction Management from Bath University. He has also received executive management training from Harvard Law School, Franklin Covey Leadership Programme and Richard Ivey Business School. He is a member of Royal Institute of British Architects, member of Urban Lands Institute, Chartered Management Institute and Association for Project Management in UK.

Mr. KWAN Chun Bon, James, aged 54, is the General Manager – Development of The Great Eagle Development and Project Management Limited. He has 30 years extensive working experience in real estate fields which include development projects and investment properties. Mr. Kwan has been serving the Group since September 1994. He holds a Professional Diploma in Estate Management (Hong Kong Polytechnic) and is a member of the Hong Kong Institute of Real Estate Administrators. He is now overseeing the Group's Development Department and handling prospective development projects and investment properties including both local and overseas acquisition.

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. The major activities during the year 2014 are set out below:

- **Social Media Policy**

The use of online social and business networking sites is now commonplace and part of our daily lives. Given the rapid explosion of social networking, it is becoming increasingly important for the Group to put in place clear social media policies and have them properly implemented. During the year, the Group developed a new Social Media Policy setting out the basic standards of behavior expected of all employees and the procedures must be followed by them regarding the use of social media, both personally as well as in their capacities as representatives of the Group. A copy of the Policy has been uploaded to the website of the Company (www.GreatEagle.com.hk).

- **Reviewed the Connected Transaction Reporting Policy in relation to the amendments of the Listing Rules in relation to the scope of connected persons and connected transactions**

The Listing Rules were amended to refine the scope of connected persons and connected transactions and fine tune the framework for continuing connected transactions with effect from 1 July 2014. In view of the above, we have reviewed the Group's Connected Transaction Reporting Policy and where appropriate updated the training materials. A summary of the amendments was prepared and it formed part of the Directors' Training materials for reference of all Board members.

- **General Mandate to Finance Committee for the Use of Seal for Tender Submissions**

To streamline the administration procedures in relation to tender submissions for government or public sector contracts, a general mandate was granted to the Finance Committee for the use of seal of the Company in relation to the provision of guarantee or indemnity by the Company as may be required to support any tender submissions to be made by the Group.

- **General Mandates to Buy-back and to Issue Shares of the Company**

General mandates to buy-back no more than 10% of the shares and issue no more than 20% of the shares of the Company were granted by the Shareholders at the Annual General Meeting ("2014 AGM") of the Company held on 30 April 2014.

- **Grant of Share Options**

It is the normal practice of the Company to grant share options to the eligible employees (including Executive Directors) each year shortly after the publication of annual results announcement of the Company in the first quarter. Pursuant to the Listing Rules, the Company is not allowed to grant any options before the publication of the announcement of any inside information. Since the spin-off of the three Hong Kong hotel properties was completed in May 2013, the 2013 annual grant of share options was postponed to 6 June 2013 instead of in the first quarter of 2013. Due to this postponement, the total number of shares to be issued under the 2014 annual grant of options upon exercise of the same granted to the Chairman during the past 12-month representing in aggregate over 0.1% of the issued share capital of the Company. Accordingly, an ordinary resolution on the grant of 630,000 share options to the Chairman at the exercise price of HK\$26.05 per share on 27 February 2014 was put forward to the Shareholders at the 2014 AGM and the same was approved by the independent Shareholders of the Company.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Board of Directors is responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report. It plays a central support and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corporate Governance Practice of the Company. It serves as an ongoing guidance for the Directors to perform and fulfill their respective roles and obligations to the Company.

Corporate Governance Practice

The Company has in place a set of governance policies and procedures which constituted the core elements of the governance framework of the Group. They include:

- **Reporting and Monitoring Policy on Connected Transactions**
The purpose of this policy is to set out the internal control systems and monitoring procedures of the Company in respect of executing, recording and reporting of all connected transactions and continuing connected transactions no matter they are exempted transactions or otherwise.
- **Schedule of Matters Reserved for the Board**
It sets out a list of major issues preserved for the decision of full Board, except when an appropriate board committee is set up for the matter.
- **Policy on the Preservation and Prevention of Misuse of Inside Information**
It sets out the Company's internal control systems and monitoring procedures to preserve and prevent the misuse of inside information and ensure all persons to whom the policy applies understand their obligations to preserve the confidentiality of unpublished inside information and assist them and the Company to comply with their obligations to disclose inside information.
- **Code of Conduct**
It sets out the basic standards of behaviour expected of all employees (including Executive Directors) and the Group's policy on matters like acceptance of advantages and declaration of conflict of interest by employees in connection with their official duties.
- **Code of Conduct regarding Securities Transactions by Directors and Relevant Employees**
It sets out the required standards against which the Directors and relevant employees of the Company must measure their conduct regarding transactions in securities of the Company or any listed entities in which the Company has 20% or above interest in share capital and the Director or the relevant employee is in possession of unpublished inside information of such entities.
- **Shareholder Communication Policy**
It reflects the current practice of the Company in communications with Shareholders.

The Board regularly reviews these policies and procedures, and further enhancement will be made from time to time in light of the latest statutory and regulatory regime and applicable international best practices. Copies of the principal governance policies can be obtained from the Company's website at www.GreatEagle.com.hk.

CORPORATE GOVERNANCE REPORT

Compliance with Corporate Governance Code

During the year, the Company has complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the CG Code. Set out below are the details of the deviations from the code provisions:

CG Code Provision A.2.1 requires that the roles of chairman and chief executive 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. 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 and three Non-executive Directors. Meanwhile, the day-to-day management and operation of the Group are delegated to divisional management under the leadership and supervision of Dr. Lo in the role of Managing Director who is supported by Mr. Lo Kai Shui, as the Deputy Managing Director, and Mr. Kan Tak Kwong, as the General Manager.

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. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has voluntarily disclosed his biographical details in accordance with Rule 13.74 in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information. A biography of Dr. Lo and details of his emoluments are also provided on page 48 of this Annual Report and in note 13 to the consolidated financial statements respectively.

CG Code Provision B.1.5 requires that details of any remuneration payable to members of senior management should be disclosed by band in annual reports

Remuneration details of Senior Management are highly sensitive and confidential. Over-disclosure of such information may induce inflationary spiral and undesirable competition which in turn is detrimental to the interests of the Shareholders, the Board considers that our current approach in disclosing the emoluments of Directors on named basis and that of the five highest paid individuals of the Group in the forms of aggregate amount and by bands in our annual reports is appropriate to maintain the equilibrium between transparency and privacy.

It is a mandatory disclosure requirement that the Company must disclose how each of its directors, by name, complied with CG Code Provision A.6.5 in relation to participation in continuous professional development

Madam Lo To Lee Kwan, a Non-executive Director of the Company, is the co-founder of the Group. She is actively involved in the early stage of development of the Group and has valuable contribution to the growth and success of the Group over the years. Since she is relatively inactive in the Group's business in recent years, she has not participated in the 2014 Director Development Program provided by the Company.

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. The Board 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

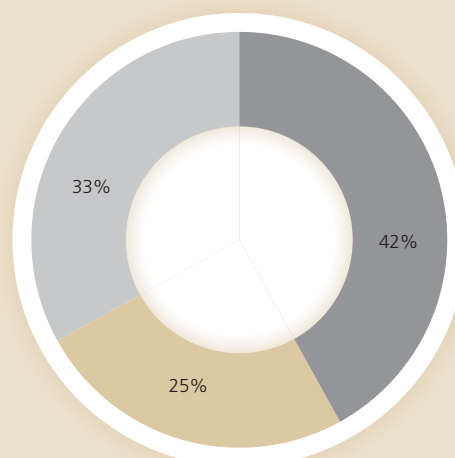
Dr. LO Ka Shui (*Chairman and Managing Director*)
 Mr. LO Kai Shui (*Deputy Managing Director*)
 Mr. LO Hong Sui, Antony
 Madam LAW Wai Duen
 Mr. KAN Tak Kwong (*General Manager*)

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



■ Executive Directors
 ■ Non-executive Directors
 ■ Independent Non-executive Directors

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.

CORPORATE GOVERNANCE REPORT

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.

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 48 to 53 of this Annual Report and published on the Company's website at www.GreatEagle.com.hk.

SUMMARY OF KEY MATTERS RESERVED FOR THE BOARD

Strategy

- Approval of the Group's long term objectives and corporate strategy
- Extension of the Group's activities into new business of material nature
- Any decision to cease to operate all or any material part of the Group's business

Structure and Capital

- Recommendations to the Shareholders of proposals relating to General Mandates to repurchase existing shares and issue new shares
- Changes relating to the Group's capital structure
- Major changes to the Group's corporate structure, management and control structure

Financial and Corporate Governance

- Approval of the annual report, interim report and results announcements
- Declaration of interim dividend and recommendation of final dividend
- Approval of any significant changes in accounting policies or practice
- Approval of substantial acquisition or disposal
- Approval of material connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of Board committees
- Review of the Group's overall corporate governance arrangements
- Approval of the Group's governance policies

Board Membership and Other Appointments

- Appointment of membership of Board Committees
- Appointment or removal of the Company Secretary
- Appointment, re-appointment or removal of the external auditor to be put to Shareholders for approval, if required

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 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 all Directors 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 Nomination Committee 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.

CORPORATE GOVERNANCE REPORT

Directors Orientation and Continuing Development

The Company has established a Director Development Program that fosters the continuous education of Board members. The program has two components namely (1) New Director Orientation and (2) Ongoing Director Development.

Newly appointed Directors will receive 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. The induction package reviews the Board's policies and procedures; Great Eagle's Bye-laws and current organisation structure; the most recent annual and interim reports and key business issues. In addition, a new Director will have a one-on-one meeting with the Company Secretary with the purpose of assisting a new Director in understanding the role of the Board and its committee and the commitment expected of a Director.

To keep abreast of the responsibilities of the Directors and infuse them with new knowledge, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director will be provided to each Director from the Company Secretary periodically. With regard to the Director Development Program in 2014, legal and regulatory updates on the Listing Rules, New Companies Ordinance and various reading materials regarding Competitions Ordinance and our daily operations were circulated to the Directors. All Directors, except Madam Lo To Lee Kwan, participated in the Program and had provided a record of at least 10 hours' training they received to the Company.

Supply and Access to Information

Directors are provided with monthly reports covering highlights of the Company's major businesses to keep abreast the Directors of the Group's business performance and enable them to bring informed decisions in the best interests of the Company and Shareholders. More thorough and comprehensive 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.

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 is a fellow of The Hong Kong Institute of Chartered Secretaries and 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.

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 as set out in the Schedule of Matters Reserved for the Board.

PROCEEDINGS OF THE BOARD

- 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. 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.
- 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. All Directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.
- A Director may participate in a meeting of the Board by means of a conference telephone. Unless otherwise determined two Directors shall be a quorum.
- Draft and final version of minutes are circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting. All Board and Board Committee minutes or resolutions shall be kept by the Company Secretary or the Committee Secretary and are available for Directors' inspection.

CORPORATE GOVERNANCE REPORT

Directors' Attendance at Board Meetings

Five full physical Board meetings were held during the financial year ended 31 December 2014. The attendance of individual Directors at these Board meetings during the year ended 31 December 2014 is set out below:

| Name of Directors | Number of Board Meeting Attended/ Eligible to Attend for the year ended 31 December 2014 |
|--|--|
| Executive Directors | |
| LO Ka Shui ⁽¹⁾ | 5/5 |
| LO Kai Shui ⁽²⁾ | 4/5 |
| LO Hong Sui, Antony | 4/5 |
| LAW Wai Duen | 5/5 |
| KAN Tak Kwong ⁽³⁾ | 5/5 |
| Attendance Rate: | 92.00% |
| Non-executive Directors | |
| LO TO Lee Kwan ⁽⁴⁾ | 0/5 |
| LO Hong Sui, Vincent | 4/5 |
| LO Ying Sui | 1/5 |
| Attendance Rate: | 33.33% |
| Independent Non-executive Directors | |
| CHENG Hoi Chuen, Vincent | 5/5 |
| WONG Yue Chim, Richard | 5/5 |
| LEE Pui Ling, Angelina | 4/5 |
| ZHU Qi | 4/5 |
| Attendance Rate: | 90.00% |
| Overall Attendance Rate | 76.67% |

Notes:

- (1) Chairman and Managing Director
- (2) Deputy Managing Director
- (3) General Manager
- (4) Co-founder of the Company

Directors' and Officers' Insurance

During the year ended 31 December 2014, 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 regarding Securities Transactions by Directors and relevant employees of the Company 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 2014, are set out on pages 78 to 81 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 2014.

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. Apart from the above, the divisional management is also accountable for the execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and 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 in 1999. The role of the Audit Committee is to review the reports and proposals from management and to make recommendations to the Board of Directors of the Company in respect of the financial reporting and other statutory obligations, and system for internal control and audit process with a view to assist the Board to fulfill its duties in relation to internal control, risk management and financial management. The Audit Committee is advisory and not supervisory in nature and its principal duties 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;

CORPORATE GOVERNANCE REPORT

- (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;
- (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; and
- (f) to review the implementation and compliance of the Deed of Right of First Refusal dated 10 May 2013 entered into between the Group and LHI regarding the grant of a right of first refusal by the Group to LHI in relation to certain investment and disposal of hotel properties by the Group as more particularly described in the prospectus of LHI in order to maintain a clear delineation of the respective businesses of LHI and that of the Group.

The written terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

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.

AUDIT COMMITTEE MEETINGS HELD IN 2014

During the year ended 31 December 2014, two meetings of the Audit Committee were held and all members were present at the meetings. 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 monitored subsequent implementations;
- reviewed the external auditor reports for the period ended 30 June 2014 and the year ended 31 December 2014 respectively which summarize the principal matters of governance interest that had arisen from their audit;
- reviewed the Group's accounting, finance and reporting functions, legal and regulatory, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2013 and the unaudited financial statements for the six months ended 30 June 2014;
- reviewed and approved the draft 2013 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2014 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 the Remuneration Committee in 2004. The Remuneration Committee adopts model of determining the remuneration packages for all Directors and Senior Management. It is also responsible for setting up formal and transparent procedures to determine policy on Executive Directors' remuneration and to ensure remuneration levels are sufficient to attract and retain Directors to run the company successfully without paying more than necessary. The principal duties of the Remuneration Committee are as follows:

- (a) to have the delegated responsibility to determine the remuneration packages of the Company's employees including Executive Directors and Senior Management; 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.

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.

REMUNERATION COMMITTEE MEETING HELD IN 2014

During the year ended 31 December 2014, a meeting of Remuneration Committee had been held and all members were present at the meeting. The following is a summary of the major work done of the Remuneration Committee at the meeting:

- approved the proposals for 2014 general salary revision of and discretionary bonus distribution to the employees of the Group;
- approved the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group;
- recommended the Directors' fee and remuneration for Non-executive Directors for the year 2014; and
- approved the annual grant of share options of the Group.

All Executive Directors are under salaried employment in the Company. Review of the emoluments of Directors and Senior Management by the Remuneration Committee during the year was based on the skill and knowledge of the Directors and Senior Management, their job responsibilities and involvement in the Group's affairs, the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions.

No Director should be involved in deciding his/her own remuneration. The remunerations of individual Director and Senior Management are determined by the Remuneration Committee which comprises only Independent Non-executive Directors. The remuneration package offered to the Directors and Senior Management of the Company comprises core fixed elements (including base salary, retirement benefits scheme contributions and other benefits) as well as discretionary variable elements (including discretionary bonuses). Details of Directors' emoluments are provided in note 13 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Company established the Nomination Committee in 2005. The written terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

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 principal duties of the Nomination Committee are as follows:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- (d) to assess the independence of Independent Non-executive Directors.

The Nomination Committee recommends candidates for nomination to the Board. Appointments to the Board shall be on merit and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal requirements, best practices, and skills required to complement of the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when short listing candidates. The Board approves the final choice of candidates.

The Committee believes that independence is an important part of fulfilling the Directors' duty to supervise the management of the business and affairs of the Company. Non-executive Directors and Executive Directors are required to disclose his/her competing businesses to the Company. Cross-directorships in Hong Kong or overseas between Directors are also reviewed annually. The Nomination Committee is accountable for assessing whether any competing businesses or interlocking directorships could materially interfere with the exercise of objective and unfettered judgement by relevant Directors or their ability to act in the best interests of the Group.

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.

NOMINATION COMMITTEE MEETING HELD IN 2014

During the year ended 31 December 2014, a meeting of Nomination Committee was held and all members were present at the meeting. The following is a summary of the major work done of Nomination Committee at the meeting:

- reviewed the structure, size and composition of the Board, and the contribution required from the Board members;
- reviewed the independence of Independent Non-executive Directors; and
- approved the nomination of retiring Directors to seek for re-election at the 2014 Annual General Meeting.

Finance Committee

The Company established the Finance Committee in 2003 which comprises three Executive Directors, namely Dr. Lo Ka Shui (who is the chairman of the Finance Committee), 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.

The role of the Finance Committee is to assist the Board in overseeing its policies and fulfilling its responsibilities with respect to financial matters. Apart from the day-to-day interactions, the principal duties of the Finance Committee are as follows:

- (a) to review the financial position of the Company; and
- (b) to review and consider the present or future borrowings and/or other financial obligations and/or liabilities, actual, contingent or otherwise of the Group.

During the year, a general mandate was granted to the Finance Committee for the use of seal of the Company in relation to the provision of guarantee or indemnity by the Company as may be required to support any tender submissions to be made by the Group in order to streamline the administration procedures.

DIRECTOR'S FEE AND BOARD COMMITTEE REMUNERATION

A Director is entitled to receive a Director's fee of HK\$130,000 for the year ended 31 December 2014. The Director's fee had been 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 2014 Annual General Meeting, and payable to each Director as ordinary remuneration.

CORPORATE GOVERNANCE REPORT

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.

| | 2014 HK\$ | 2013 HK\$ |
|-------------------------------|--------------|--------------|
| Audit Committee | | |
| • Chairman | 210,000 | 210,000 |
| • Committee Member | 160,000 | 160,000 |
| Remuneration Committee | | |
| • Chairman | 60,000 | 60,000 |
| • Committee Member | 50,000 | 50,000 |
| Nomination Committee | | |
| • Chairman | 40,000 | 40,000 |
| • Committee Member | 30,000 | 30,000 |
| Finance Committee | | |
| • Chairman | Nil | Nil |
| • Committee Member | Nil | Nil |

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Group entered into certain connected transactions and continuing connected transactions. Disclosure requirements in accordance with the Listing Rules had been fully complied with.

Details of the non-exempted connected transactions and continuing connected transactions entered during the year and the annual review are set out on pages 82 to 86 in the Report of the Directors contained in this Annual Report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, 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 47 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, 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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Services rendered | | |
| Audit services | 8,369 | 8,411 |
| Non-audit services | | |
| Taxation services | 887 | 680 |
| Interim review fee | 1,180 | 1,310 |
| Completion account of MGIL | 380 | – |
| Initial public offering of LHI | – | 6,301 |
| Other review fees including continuing connected transactions review etc | 345 | 442 |
| | 11,161 | 17,144 |

Note: The total amount of Auditor's Remuneration as disclosed in note 12 to the consolidated financial statements is HK\$13,123,000 which comprises audit services provided by other auditors in the total amount of HK\$4,754,000.

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 have 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 2014.

CORPORATE GOVERNANCE REPORT

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 2014, 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 2014.

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 2014.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on pages 92 and 93 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Company recognizes the importance to maintain an on-going dialogue with the Shareholders, A Shareholders' Communication Policy, which is reviewed by the Board on regular basis, had been established to promote effective engagement with Shareholders, both individual and institutional, investors and other stakeholders, giving them ready access to balanced and understandable information about the Company and corporate proposals and making it easy for Shareholders to participate in general meetings.

The Board is committed to promote consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information about the Company to the market. Corporate communications of the Company, including but not limited to annual reports, interim reports, and notices of meetings, announcements, circulars and other relevant Company's information are available on the website of the Company at www.GreatEagle.com.hk. The Company Secretary is responsible for overseeing and co-coordinating disclosure of information to the regulators and Shareholders and providing guidance to Directors and employees on disclosure requirements and procedures.

One of the principal channels of communication with the Shareholders is the Annual General Meeting. 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, circulars, 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 than 10 clear business days for other general meeting. Detailed information on each resolution to be proposed will also be provided.
- 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 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.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Shareholders, the Company has provided registered Shareholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of the Company for the information or action of Shareholders as defined in Rule 1.01 of the Listing Rules) by electronic means through the Company's website or in printed form.

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 or by email at enquiry@greateagle.com.hk. A financial calendar setting out the important dates is contained in this Annual Report on page 5.

CORPORATE GOVERNANCE REPORT

General Meetings held in 2014

Two General Meetings of the Company were held in 2014. Set out below are the details of the said Meetings:

2014 Annual General Meeting

The 2014 Annual General Meeting was held on 30 April 2014 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Lo Kai Shui, Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Kan Tak Kwong, and Mr. Cheng Hoi Chuen, Vincent had attended the Annual General Meeting in 2014. The matters resolved thereat are listed below.

| Ordinary Resolutions | Percentage of Votes in favour of the Resolution |
|---|--|
| 1. Received the audited consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 December 2013 together with the Reports of the Directors and Independent Auditor thereon. | 100% |
| 2. Approved the payment of a Final Dividend of HK43 cents per share and a Special Final Dividend of HK50 cents per share. | 100% |
| 3. Re-elected Mr. Cheng Hoi Chuen, Vincent as an Independent Non-executive Director. | 92.71% |
| 4. Re-elected Madam Law Wai Duen as an Executive Director. | 94.43% |
| 5. Re-elected Mr. Lo Hong Sui, Vincent as a Non-executive Director. | 94.11% |
| 6. Re-elected Mr. Kan Tak Kwong as an Executive Director. | 94.43% |
| 7. Fixed the maximum number of Directors at 15. | 99.82% |
| 8. Fixed the ordinary remuneration of HK\$130,000 payable to each Director for the year 2014. | 99.99% |
| 9. Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorized the Board of Directors to fix their remuneration. | 99.35% |
| 10. Approved the grant of a general mandate to the Directors to repurchase shares not exceeding 10% of the issued share capital. | 100% |
| 11. 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. | 87.59% |
| 12. Approved, confirmed and ratified the grant of options to Dr. Lo Ka Shui. | 70.39% |

Special General Meeting

A Special General Meeting was held on 31 October 2014 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Cheng Hoi Chuen, Vincent, Mrs. Lee Pui Ling, Angelina, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Kan Tak Kwong had attended the Meeting. The matters resolved thereat are listed below.

| Ordinary Resolutions | Percentage of Votes in favour of the Resolution |
|---|---|
| 1. Confirmed, approved and ratified the framework deed, the pre-sale and purchase agreement in relation to the aboveground portion, the preliminary sale and purchase agreement in relation to the underground portion and the carpark portion, the sale and purchase agreement in relation to the underground portion, the sale and purchase agreements in relation to the carpark portion and the transactions contemplated thereunder. | 99.27% |
| 2. Confirmed, approved and ratified the agreement for the sale and purchase of the shares in Magic Garden Investments Limited and the transactions contemplated thereunder. | 99.27% |

SHAREHOLDERS' RIGHTS

The Board and Senior Management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. The rights of the Shareholders are set out in the Bye-laws and briefly stated as follows:

Convening a Special General Meeting by Shareholders

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company shall have the right, by written requisitions to the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisitions.

The written requisition must state the purposes of the meeting, and must be signed by the Shareholder(s) concerned and deposited at the principal office of the Company, for the attention of the Company Secretary. It may consist of several documents in like form each signed by one or more Shareholders concerned.

The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the Shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all registered Shareholders. Such general meeting shall be held within 6 weeks after deposit of such requisition.

If, within 21 days from such deposit of the requisition, the Board do not proceed to convene such special general meeting, the Shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

CORPORATE GOVERNANCE REPORT

A meeting so convened by the requisitionist(s) shall be convened in the same manner as nearly as possible, as that in which meetings are to be convened by the Directors.

Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Directors duly to convene a meeting shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

Shareholder(s) holding not less than one-twentieth of the total voting rights of all the Shareholders or not less than 100 Shareholders, may:

- (i) put forward proposals at general meetings; or
- (ii) circulate to other Shareholders written statement of not more than 1,000 words with respect to the matter to be dealt with at general meeting.

For further details on the Shareholders qualifications, and the procedure and timeline in connection with the above, Shareholders are kindly requested to refer to Section 79 of the Bermuda Company Act 1981.

Furthermore, a 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 of the Company at least 7 days before the date of the general meeting.

Putting Enquiries to the Board

Shareholders may send their enquiries requiring the attention of the Board to the principal office of the Company, for the attention of the Company Secretary. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company Secretary by the same means.

AMENDMENT TO CONSTITUTIONAL DOCUMENT

During the financial year 2014, there is no change in the Company's constitutional documents.

WORKFORCE SUSTAINABILITY

We recognize the importance of workforce sustainability which is about retaining and attracting right people to meet current and future business requirements. We offer competitive salary to the employees and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include training & education subsidy, 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. As at 31 December 2014, the Group had 5,680 employees (2013: 5,584).

CORPORATE GOVERNANCE REPORT

We believe that the provision of opportunities for training and development is an important component to attract and retain staff. Ever since 2012, the corporate culture of applying the best practices from “The 7 Habits of Highly Effective People” program and adopting innovative approaches at work has continuously been cultivated. We raise staff awareness through different channels such as training programs, promotional items, forming committee and intranet for staff to express their ideas. Since 2013, the Group has further promoted the innovation culture through establishing an on-line platform of Great Eagle Innovation Portal to facilitate exchange of innovative ideas among staff and Business Units/Departments. Besides, the Group has also developed external and in-house designed training programmes including eLearning courses in supervisory, management, soft skills as well as technical skills training. Focusing on talent management through training & development, succession planning and mentoring program further strengthens the Group’s organizational agility. The organization strategies are sustainable due to staff involvement and management support. Since strategic alignment with the corporate Vision, Mission & Value plays an important role in organizational development, various strategic planning initiatives will be organized to ensure business objectives are achieved.

Our Hotel Division continues to create a diversified, multifacet development platform for our colleagues. Apart from the around-the-year training calendar, a targeted programme for department heads and executives named APEX “Advanced Programme for Executives” is continued to equip them with essential knowledge, skills and experiences to take up next level or more challenging roles in the future. Colleagues participating in APEX gained various development opportunities, such as targeted work assignments, eCornell training on leadership and hospitality topics and mentor arrangement. Our Hotel Division is continued to be acknowledged as “Manpower Developer 1st.” in the Manpower Developer Scheme by the Employee Retraining Board from 2012 to 2014. Both Eaton Hotel Hong Kong and Langham Place Hotel Hong Kong are awarded by the Hong Kong Council of Social Services as Barrier-free Company 2013–14. Langham Place Hotel is also recognized by Family Council as Distinguished Family-Friendly Employer 2013–14.

“Innovation” is one of the key strategies to build a resilient, engaged and high performing workforce of the Hotel Division. All colleagues are encouraged to make meaningful change to the ways we deliver our product and service with the objective of increasing guest loyalty. “THINK PINK” is an electronic platform for the colleagues to share their ideas. Langham Logic is the company signature tool to drive process improvement in a systematic way. The hotel colleagues form Langham Logic Improvement teams to work on departmental or cross-departments project. Each project aims at achieving tangible results on improving guest satisfaction, colleague satisfaction, financial returns or process efficiency. Each year, there is an award winner from across the globe to be recognised as the team who has made significant improvements through Langham Logic.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2014.

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.

The Group's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand and the PRC. An analysis of the Group's segment results for the year ended 31 December 2014 is set out in note 8 to the consolidated financial statements of this Annual Report.

Particulars of the Company's principal subsidiaries and interests in associates as at 31 December 2014 are set out in notes 49 and 20 to the consolidated financial statements of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK47 cents per share to the Shareholders whose names appear on the Register of Members of the Company on Wednesday, 13 May 2015. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend will be made on 16 June 2015. Taken together with the interim dividend of HK27 cents per share paid in October 2014, the total dividend for the year 2014 is HK74 cents per share.

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 40 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 property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements. All of the Group's investment properties were revalued by independent professional property valuers as at 31 December 2014 using the income capitalisation method and the market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

Details of the major properties of the Group as at 31 December 2014 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 15,706,487 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2013 final dividend and special final dividend and 824,500 shares were issued pursuant to the 1999 Share Option Scheme and 2009 Share Option Scheme. As at 31 December 2014, the authorised capital of the Company was HK\$400,000,000.00 divided into 800,000,000 shares of HK\$0.50 each, 655,806,951 shares of which were issued and credited as fully paid. Details of the movements of the share options during the year are disclosed hereinbelow. Changes in the share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

DIRECTORS

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

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 Mr. Lo Hong Sui, Antony shall retire by rotation and, being eligible, have offered themselves for re-election at the 2015 Annual General Meeting of the Company.

REPORT OF THE DIRECTORS

The independence of Independent Non-executive Directors has been assessed by the Nomination Committee and 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. 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 48 to 53 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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 2014, 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

| Name of Director | Number of Ordinary Shares/Underlying Shares | | | | Number of outstanding share options | Total | Percentage of issued share capital ⁽⁶⁾ |
|--------------------------|---|------------------|---------------------------|----------------------------|-------------------------------------|-------------|---|
| | Personal interests | Family interests | Corporate interests | Trust interests | | | |
| Lo Ka Shui | 66,681,125 ⁽¹⁾ | – | 3,870,117 ⁽²⁾ | 300,929,549 ⁽³⁾ | 1,888,000 | 373,368,791 | 56.93 |
| Lo Kai Shui | 339,508 | – | 661,625 ⁽⁴⁾ | 219,141,330 ⁽⁵⁾ | 500,000 | 220,642,463 | 33.64 |
| Lo To Lee Kwan | 1,034,482 | – | 4,749,701 ⁽⁶⁾ | 219,141,330 ⁽⁵⁾ | – | 224,925,513 | 34.30 |
| Cheng Hoi Chuen, Vincent | – | 10,000 | – | – | – | 10,000 | 0.00 |
| Wong Yue Chim, Richard | 10,000 | – | – | – | – | 10,000 | 0.00 |
| Lo Hong Sui, Antony | 188,532 | – | – | 219,141,330 ⁽⁵⁾ | 575,000 | 219,904,862 | 33.53 |
| Law Wai Duen | 1,299,716 | – | – | 219,141,330 ⁽⁵⁾ | 400,000 | 220,841,046 | 33.67 |
| Lo Hong Sui, Vincent | 293 | – | – | 219,141,330 ⁽⁵⁾ | – | 219,141,623 | 33.42 |
| Lo Ying Sui | 1,500,000 | – | 35,628,206 ⁽⁷⁾ | 219,141,330 ⁽⁵⁾ | – | 256,269,536 | 39.08 |
| Kan Tak Kwong | 1,313,380 | – | – | – | 1,400,000 | 2,713,380 | 0.41 |

REPORT OF THE DIRECTORS

Notes:

- (1) Among these 66,681,125 shares, 7,310,600 shares were derivative interests held by Dr. Lo Ka Shui.
- (2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (3) These 300,929,549 shares comprise:
 - (i) 219,141,330 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, all being Directors of the Company, are among the discretionary beneficiaries; and
 - (ii) 81,788,219 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.
- (4) These 661,625 shares comprise 553,713 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 107,912 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 4,749,701 shares were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of one of these companies.
- (7) These 35,628,206 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 2014 of 655,806,951 shares.

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

Champion Real Estate Investment Trust ("Champion REIT")

Champion REIT (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of SFO, is accounted for as a subsidiary of the Company. As at 31 December 2014, the Group owned 61.65% interests in Champion REIT. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of the Directors or chief executives of the Company in Champion REIT as at 31 December 2014 are disclosed as follows:

| Name of Director | Number of Units | | | | Total | Percentage of issued units ⁽³⁾ |
|------------------|--------------------|------------------|------------------------|--------------------------|-----------|---|
| | Personal interests | Family interests | Corporate interests | Other interests | | |
| Lo Ka Shui | – | – | 829,000 ⁽¹⁾ | 6,200,000 ⁽²⁾ | 7,029,000 | 0.12% |

Notes:

- (1) These units were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also the director of these companies.
- (2) These units were held by a charitable trust. Dr. Lo is the settlor and a member of the Advisory Committee and Management Committee of the trust.
- (3) This percentage has been compiled based on the total number of units of Champion REIT in issue as at 31 December 2014 of 5,744,851,859 units.

REPORT OF THE DIRECTORS

Langham Hospitality Investments and Langham Hospitality Investments Limited (“LHI”)

LHI (Stock Code: 1270), the share stapled units (the “SSUs”) of which are listed on the Stock Exchange, in which, the Group owned 58.22% interests in LHI as at 31 December 2014. LHI is therefore a subsidiary of the Company. The holdings of the Directors or chief executives of the Company in LHI as at 31 December 2014 are disclosed as follows:

| Name of Director | Number of SSUs | | | | Number of Underlying SSUs | Total | Percentage of issued SSUs ⁽⁴⁾ |
|------------------------|--------------------|------------------|--------------------------|---------------------------|---------------------------|------------|--|
| | Personal interests | Family interests | Corporate interests | Other interests | | | |
| Lo Ka Shui | – | – | 1,000,000 ⁽¹⁾ | 17,200,000 ⁽²⁾ | – | 18,200,000 | 0.90% |
| Lo To Lee Kwan | – | – | 306,177 ⁽³⁾ | – | – | 306,177 | 0.02% |
| Law Wai Duen | 280,000 | – | – | – | – | 280,000 | 0.01% |
| Wong Yue Chim, Richard | 150,000 | – | – | – | – | 150,000 | 0.01% |

Notes:

- (1) These SSUs were held by a company wholly-owned by Dr. Lo Ka Shui who is also a director of this company.
- (2) These SSUs were held by a charitable trust. Dr. Lo is the settlor and a member of the Advisory Committee and Management Committee of the trust.
- (3) These SSUs were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of one of these companies.
- (4) This percentage has been compiled based on the total number of SSUs of LHI in issue as at 31 December 2014 of 2,022,390,859 SSUs.

Cinderella Media Group Limited (“Cinderella Media”)

Cinderella Media (Stock Code: 550), the shares of which are listed on the Stock Exchange, in which the Group indirectly owned 18.75% interests in its issued share capital as at 31 December 2014. It is an associate of the Company as the Group is able to exercise significant influence over Cinderella Media through its shareholding in City Apex Limited which holds over 50% equity interests in Cinderella Media. The shareholdings of the Directors or chief executives of the Company in Cinderella Media as at 31 December 2014 are disclosed as follows:

| Name of Director | Number of Shares | | | | Number of Underlying Shares | Total | Percentage of issued Shares ⁽¹⁾ |
|------------------|--------------------|------------------|---------------------|-----------------|-----------------------------|---------|--|
| | Personal interests | Family interests | Corporate interests | Other interests | | | |
| Lo Ka Shui | 150,000 | – | – | – | – | 150,000 | 0.04% |

Note:

- (1) This percentage has been compiled based on the total number of shares of Cinderella Media in issue as at 31 December 2014 of 333,634,000 shares.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2014, 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 (other than Independent Non-executive 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 holds the key positions in the following subsidiaries of the Shui On Group:
- Chairman of Shui On Land Limited ("SOL"), the Shui On Group's flagship property development company in the Chinese Mainland. SOL through its subsidiaries and associates is one of the leading property developers in the PRC. It principally engages in the development, sale, leasing, management and long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.
 - Chairman of China Xintiandi Limited ("CXTD"), a separately managed and wholly owned subsidiary of SOL. CXTD focuses principally on owning, managing, designing, leasing, marketing and enhancing premium retail, office and entertainment properties in affluent urban areas in the Chinese Mainland, including Shanghai, Chongqing, Wuhan and Foshan.
 - Chairman of SOCAM Development Limited ("SOCAM"), through its subsidiaries, principally engages in property development and investment, asset management, construction and investment in cement operations in Hong Kong, Macau, and the Chinese Mainland.
- (b) Mr. Lo Kai Shui is the Chairman of Sun Fook Kong Group Limited ("SFK Group") and also the ultimate controlling shareholder of SFK Group and its subsidiaries, whose principal activities are, among others, building construction, real estate and property development in Mainland China.

As the Board of Directors of the Company is independent of the Board of Directors of SOL, CXTD, SOCAM and SFK Group, the Group has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

REPORT OF THE DIRECTORS

DISCLOSURE OF CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS PURSUANT TO CHAPTER 14A OF THE LISTING RULES

The connected transactions and continuing connected transactions which require disclosures in this report are set out as follows:

1. Connected Transactions in relation to the Acquisition of a Hotel Development Project in Minhang District, Shanghai, the PRC and Acquisition of Shares in Magic Garden Investments Limited (“MGL”)

As disclosed in the announcement of the Company dated 27 August 2014 and in its circular dated 26 September 2014, the following agreements were entered into by the Group:

- (1) Wisdom Joy Investments Limited (“Wisdom Joy”), an indirect wholly-owned subsidiary of the Company, entered into a framework deed with Shine First Limited (“Shine First”) for the acquisition of The HUB Hotel located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, PRC (together with the land use rights underlying such assets at a consideration of RMB965,000,000 (equivalent to approximately HK\$1,215,900,000) (the “Asset Acquisition”).
- (2) G.E. Hotel (Xintiandi) Limited (“GE Xintiandi”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Xintiandi Investment Company Limited (“China Xintiandi”) for the acquisition of the remaining two-third interest in MGL at an aggregate consideration of not more than RMB600,000,000 (equivalent to approximately HK\$756,000,000) (the “Share Acquisition”). MGL is the indirect owner of The Langham, Xintiandi, Shanghai.

Mr. Vincent Lo is a non-executive Director and by virtue of being a discretionary beneficiary of a trust which holds more than 30% of the issued share capital of the Company, Mr. Vincent Lo is an associate of the controlling Shareholder of the Company. Each of Shine First and China Xintiandi is an indirect wholly-owned subsidiary of SOL. Mr. Vincent Lo, the chairman and an executive director of SOL, and his associates are together entitled to control the exercise of more than 30% of the voting power at general meetings of SOL. As such, each of the Asset Acquisition and the Shares Acquisition constituted a connected transaction for the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Asset Acquisition and the Shares Acquisition in aggregate is/are more than 5%, the Asset Acquisition and the Shares Acquisition were subject to the reporting, announcement, annual review and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules. At the special general meeting of the Company held on 31 October 2014, the Asset Acquisition and the Shares Acquisition were approved by the independent Shareholders.

2. Connected Transactions in relation to the investment in Redwood Peak Opportunities Master Fund, L.P.

As disclosed in the announcement of the Company dated 30 July 2014, the following agreements were entered into by the Group:

- (1) RWP Project Limited ("RWPP"), an indirect wholly-owned subsidiary of the Company, entered into the Feeder Fund Subscription Agreement with Redwood Peak Opportunities Fund (BVI) Ltd. ("RPOFB"), to invest in a feeder fund (the "Feeder Fund") of Redwood Peak Opportunities Master Fund, L.P. (the "Fund") in the amount of US\$50 million (equivalent to approximately HK\$390 million) simultaneously with the execution of a Memorandum of Agreement and a Shareholders' Agreement (as mentioned below).
- (2) RWP (GP) Limited ("RWPGP"), an indirect wholly-owned subsidiary of the Company, entered into the Memorandum of Agreement with Ms. Lo Sum Yu, Christine ("CL") for the purchase of 25% interest in Redwood Peak Partners (the "General Partner") at a consideration of US\$12,500 (equivalent to approximately HK\$97,500). (2) After the aforesaid transfer, CL and RWPGP held 75% and 25% interest of the General Partner respectively.
- (3) RWPGP entered into the Shareholders' Agreement among CL, the General Partner (for itself and as general partner for the Fund) and RPOFB for the purpose of, among other things, operating and managing the General Partner and setting out the lock-up arrangement of investment in Feeder Fund made by the Group (through RWPP) and CL respectively.

The Feeder Fund was set up for the sole purpose of pouring the investment which it receives from non-US investors and a limited number of investors that are U.S. tax-exempt organizations into the Fund by way of subscription for a limited partnership interest therein. The Subscription Agreement for the Fund was also executed between RPOFB (for the Feeder Fund) and the General Partner (for the Fund) on 30 July 2014 upon the execution of the Feeder Fund Subscription Agreement. The Fund had been established in the British Virgin Islands as an international limited partnership with the principal objective of investing, reinvesting, trading in securities, commodities, other financial instruments, and rights and options relating thereto. The Fund was managed by the General Partner, which serves as the general partner for the Fund. RPL, being the wholly-owned subsidiary of the General Partner, provides investment management services to the Fund. The husband of CL, is a director and responsible officer of RPL.

CL is a daughter of Mr. Lo Hong Sui, Antony ("Mr. Antony Lo"), an Executive Director of the Company. Accordingly, CL, the General Partner, RPOFB and the Fund are associates of Mr. Antony Lo under the Listing Rules and therefore, connected persons of the Company under the Listing Rules. As such, the aforesaid transactions constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the amount of investments by the Group under the transactions in aggregate exceeded 0.1% but less than 5%, the transactions were only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

3. Continuing Connected Transactions in relation to the Hotel Management Agreement and Licence Agreement of The Langham, Xintiandi, Shanghai (“Langham Xintiandi”)

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 Langham Xintiandi, in which the Group has one-third of the interest, for a term of 20 years from the opening of the hotel. The Langham, Xintiandi, Shanghai has commenced operation since October 2010. An independent financial advisor has opined that it is normal practice for contracts of this type to be of such duration.

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 Langham Xintiandi a non-exclusive and non-transferable licence to use the “Langham” and other marks for the operation of Langham Xintiandi during the term of the Hotel Management Agreement. Mr. Lo Hong Sui, Vincent, a Non-executive Director of the Company, and his associates had two-third interest in Langham Xintiandi. Accordingly, the transactions under the Hotel Management Agreement and the Licence Agreement constituted continuing connected transactions of the Company under the Listing Rules.

As disclosed in the announcement of the Company dated 28 January 2014, the annual caps of the Hotel Management Agreement and the Licence Agreement were revised. The annual cap for the year ended 31 December 2014 was RMB25,000,000.

As detailed in item 1 above, GE Xintiandi had acquired the remaining two-third interest in The Langham, Xintiandi, Shanghai. As such, all the continuing connected transactions under the Hotel Management Agreement and the Licence Agreement ceased with effect from the completion of acquisition on 11 December 2014.

4. Continuing Connected Transactions in relation to the Master Agreement with Shui On Development Holding Limited (“SODH”) for a joint venture with SOL

On 22 August 2011, a Master Agreement was entered into between Langham Hotels (China) Limited (“LHC”), an indirect wholly-owned subsidiary of the Company, and SODH in furtherance of a joint venture (the “Joint Venture”) with Shui On Land for a term of three years commencing from 22 August 2011 and expiring on 21 August 2014. Under the Master Agreement, members of the Langham Hospitality Group Limited (the “Langham Hospitality Group”), an indirect wholly-owned subsidiary of the Company, may enter into hotel agreements, branded residences agreements and license agreements (the “Related Agreements”) with members of SOL and its subsidiaries (the “SOL Group”) from time to time for the 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 SOL Group or third parties under the name of “88 Tiandi” in English and “八八天地” in Chinese or such other name(s) as the SOL Group and the Langham Hospitality Group may agree.

By virtue of the controlling interest of Mr. Lo Hong Sui, Vincent and his associates in SOL, the Master Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The Joint Venture had ceased business since 31 July 2014 and accordingly the Group entered into certain termination agreements with SOL Group on 19 November 2014 to terminate the Master Agreement and the Related Agreements. As such, all the connected transactions under the Master Agreement ceased with effect from 19 November 2014. Pursuant to the termination agreements, neither party was subject to any penalty and/or compensation to the other party as a result of the termination of the Master Agreement and the Related Agreements.

5. Continuing Connected Transactions in relation to the Tenancies of Suites 3201-2 and 3206-10 on the 32nd Floor of Great Eagle Centre

On 20 December 2012, Moon Yik Company, Limited, an indirect wholly-owned subsidiary of the Company, and Sun Fook Kong Construction Management Limited (“SFK Management”) entered into a Tenancy Agreement (the “New Tenancy Agreement”) in respect of the renewal of tenancies of Suites 3201-2 and 3206-10, 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (the “Premises”) for a term of three years commencing from 1 April 2013 and expiring on 31 March 2016. The then existing tenancies of the Premises were covered under the Master Tenancy Agreement entered into between the same parties on 30 March 2010 (the “Old Tenancy Agreement”, together with the New Tenancy Agreement, the “SFK Tenancy Agreements”).

Mr. Lo Kai Shui, the Deputy Managing Director of the Company, is the ultimate controlling Shareholder of the SFK Management and controlled the exercise of more than 70% voting power in SFK Management as at the date of announcement of these continuing connected transactions. Accordingly, SFK Management is a connected person of the Company and the transactions contemplated under the SFK Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the renewed annual caps for the SFK Tenancy Agreements set out below are more than 0.1% but less than 5%, the transactions contemplated under the agreements are subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders’ approval requirement under Rule 14A.34 of the then Listing Rules. Announcements regarding the Old Tenancy Agreement and New Tenancy Agreement were made by the Company on 30 March 2010 and 20 December 2012 respectively.

| Period | Annual Cap |
|-----------------------------------|---------------|
| For the year ended 31 March 2014 | HK\$8,776,000 |
| For the year ending 31 March 2015 | HK\$8,945,000 |
| For the year ending 31 March 2016 | HK\$9,139,000 |

6. Continuing Connected Transactions in relation to the Cleaning Services Contracts with Sun Fook Kong Housing Services Limited (“SFK Services”)

The Group had entered into services agreements with SFK Services in relation to the provision of certain cleaning services to the Group by SFK Services under the Great Eagle Centre Cleaning Contracts, the Common Areas Cleaning Contracts, the Public Carpark Cleaning Contracts and the High Block Langham Place Cleaning Contracts (the “Cleaning Services Contracts”). The annual cap of the aggregate amounts payable by the Group to SFK Services for the financial year ended 31 December 2014 was HK\$14,100,000. The Cleaning Services Contracts were expired on 31 December 2014.

The Group and SFK Services entered into supplemental agreements (the “Supplemental Agreements”) to extend the term of each of the Cleaning Services Contracts with revised monthly basic fees on 23 January 2015 to allow sufficient time to obtain more solid and competitive tender prices for similar services. Meanwhile, as a result of the aforesaid extension of contractual term, the commencement of the new cleaning services contracts will be in line with the effective date of the adjustment of statutory minimum wage rate. Save for the extension of the term of the Cleaning Services Contracts for four more months to 30 April 2015 and the increase of monthly basic fees under the Cleaning Services Contracts, all other material terms of the Cleaning Services Contracts remained unchanged. The estimated aggregate amount payable to SFK Services pursuant to the Supplemental Agreements for the period from 1 January 2015 to 30 April 2015 (both days inclusive) would not exceed HK\$4,944,000.

REPORT OF THE DIRECTORS

None of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, calculated with reference to the maximum aggregate amount of the transactions contemplated under the Supplemental Agreements exceeded 0.1%, the transactions contemplated thereunder fell below the de minimis threshold stipulated under Rule 14A.76(1) of the Listing Rule.

Review of Continuing Connected Transactions

The amount of transactions for the agreements as mentioned in paragraphs 3 to 6 above for the year ended 31 December 2014 are as follows:

| | 2014 HK\$'000 |
|---|--------------------------------|
| Under the Hotel Management and Licence Agreement in paragraph 3 above | 19,135 |
| Under the Master Agreement in paragraph 4 above | 1,285 |
| Under the SFK Tenancy Agreements in paragraph 5 above | 7,856 |
| Under the Cleaning Services Contracts in paragraph 6 above | 12,126 |

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 2014 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 agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders 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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed 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.

REPORT OF THE DIRECTORS

Further details of the 1999 Share Option Scheme and 2009 Share Option Scheme are set out in note 41 to the consolidated financial statements.

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

During the year ended 31 December 2014, 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:

| Date of grant | Number of Share Options | | | | | Exercise Period | Exercise price per share (HK\$) |
|---------------------------|------------------------------|--------------------------|---------------------------|------------------------|------------------------------|-----------------------|---------------------------------|
| | Outstanding as at 01/01/2014 | Grant during the year | Exercised during the year | Lapsed during the year | Outstanding as at 31/12/2014 | | |
| 08/01/2009 ⁽¹⁾ | 218,000 | – | (170,000) | (48,000) | – | 09/01/2011-08/01/2014 | 9.34 |
| 04/03/2010 ⁽²⁾ | 864,500 | – | (79,500) | (22,000) | 763,000 | 05/03/2012-04/03/2015 | 22.80 |
| 07/03/2011 ⁽²⁾ | 1,621,000 | – | (102,000) | (41,000) | 1,478,000 | 08/03/2013-07/03/2016 | 26.18 |
| 08/03/2012 ⁽²⁾ | 2,921,000 | – | (473,000) | (41,000) | 2,407,000 | 09/03/2014-08/03/2017 | 23.20 |
| 06/06/2013 ⁽²⁾ | 3,166,000 | – | – | (150,000) | 3,016,000 | 07/06/2015-06/06/2018 | 31.45 |
| 27/02/2014 ⁽²⁾ | – | 3,537,000 ⁽³⁾ | – | (72,000) | 3,465,000 | 28/02/2016-27/02/2019 | 26.05 |
| 17/03/2014 ⁽²⁾ | – | 300,000 ⁽³⁾ | – | – | 300,000 | 18/03/2016-17/03/2019 | 27.55 |
| Total | 8,790,500 | 3,837,000 | (824,500) | (374,000) | 11,429,000 | | |

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 2014, 1,230,000 and 2,607,000 share options were granted to the Directors and employees of the Group respectively.
- (4) During the year ended 31 December 2014, no share option was cancelled.
- (5) Consideration paid for each grant of share options was HK\$1.00.
- (6) The vesting period for the share options granted 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 27 February 2014, i.e. 26 February 2014 was HK\$31.40.
- (8) The closing price of the shares of the Company immediately before the date of grant of 17 March 2014, i.e. 14 March 2014 was HK\$27.00.

REPORT OF THE DIRECTORS

2. Movements of the Share Options granted to Directors

During the year ended 31 December 2014, 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 | Number of Share Options | | | | Outstanding as at 31/12/2014 | Exercise price per share (HK\$) | Weighted average closing price immediately before the date of exercise (HK\$) |
|--|---------------------------|------------------------------|------------------------|---------------------------|------------------------|------------------------------|---------------------------------|---|
| | | Outstanding as at 01/01/2014 | Grant during the year | Exercised during the year | Lapsed during the year | | | |
| Directors | | | | | | | | |
| Lo Ka Shui | 08/03/2012 ⁽²⁾ | 628,000 | – | – | – | 628,000 | 23.20 | N/A |
| | 06/06/2013 ⁽²⁾ | 630,000 | – | – | – | 630,000 | 31.45 | N/A |
| | 27/02/2014 ⁽²⁾ | – | 630,000 ⁽⁸⁾ | – | – | 630,000 | 26.05 | N/A |
| | | 1,258,000 | 630,000 | – | – | 1,888,000 | | |
| Lo Kai Shui | 08/01/2009 ⁽¹⁾ | 125,000 | – | (125,000) | – | – | 9.34 | 26.50 |
| | 04/03/2010 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 22.80 | N/A |
| | 07/03/2011 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 26.18 | N/A |
| | 08/03/2012 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 23.20 | N/A |
| | 06/06/2013 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 31.45 | N/A |
| | 27/02/2014 ⁽²⁾ | – | 100,000 | – | – | 100,000 | 26.05 | N/A |
| | | 525,000 | 100,000 | (125,000) | – | 500,000 | | |
| Lo Hong Sui, Antony | 04/03/2010 ⁽²⁾ | 150,000 | – | – | – | 150,000 | 22.80 | N/A |
| | 07/03/2011 ⁽²⁾ | 125,000 | – | – | – | 125,000 | 26.18 | N/A |
| | 08/03/2012 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 23.20 | N/A |
| | 06/06/2013 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 31.45 | N/A |
| | 27/02/2014 ⁽²⁾ | – | 100,000 | – | – | 100,000 | 26.05 | N/A |
| | | 475,000 | 100,000 | – | – | 575,000 | | |
| Law Wai Duen | 07/03/2011 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 26.18 | N/A |
| | 08/03/2012 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 23.20 | N/A |
| | 06/06/2013 ⁽²⁾ | 100,000 | – | – | – | 100,000 | 31.45 | N/A |
| | 27/02/2014 ⁽²⁾ | – | 100,000 | – | – | 100,000 | 26.05 | N/A |
| | | 300,000 | 100,000 | – | – | 400,000 | | |
| Kan Tak Kwong | 04/03/2010 ⁽²⁾ | 200,000 | – | – | – | 200,000 | 22.80 | N/A |
| | 07/03/2011 ⁽²⁾ | 300,000 | – | – | – | 300,000 | 26.18 | N/A |
| | 08/03/2012 ⁽²⁾ | 300,000 | – | – | – | 300,000 | 23.20 | N/A |
| | 06/06/2013 ⁽²⁾ | 300,000 | – | – | – | 300,000 | 31.45 | N/A |
| | 27/02/2014 ⁽²⁾ | – | 300,000 | – | – | 300,000 | 26.05 | N/A |
| | | 1,100,000 | 300,000 | – | – | 1,400,000 | | |
| Employees (other than Directors of the Company) | 08/01/2009 ⁽¹⁾ | 93,000 | – | (45,000) | (48,000) | – | 9.34 | 26.50 |
| | 04/03/2010 ⁽²⁾ | 414,500 | – | (79,500) | (22,000) | 313,000 | 22.80 | 28.00 |
| | 07/03/2011 ⁽²⁾ | 996,000 | – | (102,000) | (41,000) | 853,000 | 26.18 | 28.00 |
| | 08/03/2012 ⁽²⁾ | 1,693,000 | – | (473,000) | (41,000) | 1,179,000 | 23.20 | 28.00 |
| | 06/06/2013 ⁽²⁾ | 1,936,000 | – | – | (150,000) | 1,786,000 | 31.45 | N/A |
| | 27/02/2014 ⁽²⁾ | – | 2,307,000 | – | (72,000) | 2,235,000 | 26.05 | N/A |
| | 17/03/2014 ⁽²⁾ | – | 300,000 | – | – | 300,000 | 27.55 | N/A |
| | | 5,132,500 | 2,607,000 | (699,500) | (374,000) | 6,666,000 | | |

REPORT OF THE DIRECTORS

Notes:

- (1) Share options were granted under the 1999 Share Option Scheme.
Share options granted on 08/01/2009 are exercisable during the period from 09/01/2011 to 08/01/2014.
- (2) Share options 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.
Share options granted on 08/03/2012 are exercisable during the period from 09/03/2014 to 08/03/2017.
Share options granted on 06/06/2013 are exercisable during the period from 07/06/2015 to 06/06/2018.
Share options granted on 27/02/2014 are exercisable during the period from 28/02/2016 to 27/02/2019.
Share options granted on 17/03/2014 are exercisable during the period from 18/03/2016 to 17/03/2019.
- (3) During the year ended 31 December 2014, no share option was 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 27 February 2014, i.e. 26 February 2014 was HK\$25.40.
- (7) The closing price of the shares of the Company immediately before the date of grant of 17 March 2014, i.e. 14 March 2014 was HK\$27.00.
- (8) Due to the postponement of the 2013 Annual Grant of Options, the number of shares to be issued upon exercise of the options granted to Dr. Lo Ka Shui under the 2013 Annual Grant of Options and the 2014 Annual Grant of Options during the past 12-month period representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate market value in excess of HK\$5 million. Pursuant to Rule 17.04 of the Listing Rules, the grant of options to Dr. Lo Ka Shui under the 2014 Annual Grant of Options was approved by independent Shareholders at the 2014 annual general meeting of the Company held on 30 April 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2014, the interests and short positions of persons (other than the Directors or chief executives 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:

Long positions in shares of the Company

| Name of Shareholders | Number of shares | Percentage of issued share capital ⁽⁶⁾ |
|--|----------------------------|---|
| HSBC International Trustee Limited | 304,082,691 ⁽¹⁾ | 46.37 |
| Powermax Agents Limited ⁽²⁾ | 162,550,499 | 24.79 |
| Surewit Finance Limited ⁽³⁾ | 48,846,601 | 7.45 |
| Green Jacket Limited ⁽⁴⁾ | 32,941,618 | 5.02 |
| Adscan Holdings Limited ⁽⁵⁾ | 35,628,206 | 5.43 |

REPORT OF THE DIRECTORS

Notes:

- (1) The number of shares disclosed was based on the latest Disclosure of Interest Form with the date of relevant event as 5 January 2015 received from HSBC International Trustee Limited (“HITL”). According to the latest disclosures made by the Directors of the Company, as at 31 December 2014:
 - (i) 219,141,330 shares representing 33.42% 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 among the discretionary beneficiaries.
 - (ii) 81,788,219 shares representing 12.47% 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 162,550,499 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 48,846,601 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) Green Jacket Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 32,941,618 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.
- (5) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, who is also a director of this company.
- (6) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2014 of 655,806,951 shares.

Save as disclosed above, as at 31 December 2014, no person (other than the Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 78 to 81) 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 86 to 89 of this 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

The Group's charitable and other donations during the year amounted to HK\$577,639 (2013: HK\$711,410).

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 Thursday, 30 April 2015.

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 most of 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, with the exception of a few deviations.

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 54 to 75 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Our commitment to CSR stems from a core belief that our business will prosper as the community and environment around us flourish. A full report on CSR is set out on pages 30 to 47 of this Annual Report.

On behalf of the Board

LO Ka Shui

Chairman and Managing Director

Hong Kong, 5 March 2015

INDEPENDENT AUDITOR'S REPORT



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 94 to 205, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, 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.

INDEPENDENT AUDITOR'S REPORT

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 2014, 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

5 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|--------------------|------------------|
| Revenue | 7 | 8,127,367 | 7,301,014 |
| Cost of goods and services | | (4,639,010) | (4,050,484) |
| Operating profit before depreciation | | 3,488,357 | 3,250,530 |
| Depreciation | | (487,763) | (403,739) |
| Operating profit | | 3,000,594 | 2,846,791 |
| Other income | 9 | 539,581 | 245,547 |
| Fair value changes on investment properties | 17 | 1,204,935 | 1,119,261 |
| Reversal of impairment loss in respect of a hotel property | 16 | – | 149,170 |
| Fair value change of derivative components of convertible bonds | 35 | – | 308,236 |
| Fair value changes on derivative financial instruments | | (297) | 812 |
| Fair value changes on financial assets designated at fair value through profit or loss | | 2,332 | 37,170 |
| Gain on conversion of convertible bonds | 35 | – | 29,302 |
| Administrative and other expenses | | (571,484) | (340,948) |
| Finance costs | 10 | (623,404) | (545,171) |
| Share of results of associates | | (9,739) | (9,514) |
| Share of results of a joint venture | | (36,374) | (36,681) |
| Profit before tax | | 3,506,144 | 3,803,975 |
| Income taxes | 11 | (496,305) | (426,312) |
| Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT | 12 | 3,009,839 | 3,377,663 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 2,115,101 | 2,399,472 |
| Non-controlling interests | | 153,920 | 71,893 |
| | | 2,269,021 | 2,471,365 |
| Non-controlling unitholders of Champion REIT | | 740,818 | 906,298 |
| | | 3,009,839 | 3,377,663 |
| Earnings per share: | | | |
| Basic | 15 | HK\$3.23 | HK\$3.76 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT | 3,009,839 | 3,377,663 |
| Other comprehensive income (expense): | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Fair value gain on available-for-sale investments | 81,892 | 72,930 |
| Reclassification adjustment upon disposal of available-for-sale investments | (133,794) | (20,587) |
| Exchange differences arising on translation of foreign operations | (211,197) | (109,781) |
| Share of other comprehensive income (expense) of associates | 7,598 | (6,826) |
| Share of other comprehensive (expense) income of a joint venture | (14,778) | 18,671 |
| Cash flow hedges: | | |
| Fair value adjustment on cross currency swaps designated as cash flow hedge | 48,888 | (41,833) |
| Reclassification of fair value adjustments to profit or loss | (4,214) | (3,081) |
| Other comprehensive expense for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT | (225,605) | (90,507) |
| Total comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT | 2,784,234 | 3,287,156 |
| Total comprehensive income for the year attributable to: | | |
| Owners of the Company | 1,871,772 | 2,326,773 |
| Non-controlling interests | 153,928 | 71,893 |
| | 2,025,700 | 2,398,666 |
| Non-controlling unitholders of Champion REIT | 758,534 | 888,490 |
| | 2,784,234 | 3,287,156 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------|-------------------|-------------------|
| Non-current assets | | | |
| Property, plant and equipment | 16 | 15,819,104 | 13,390,302 |
| Investment properties | 17 | 69,867,294 | 68,586,519 |
| Deposit for acquisition of property, plant and equipment | 19 | 121,185 | – |
| Interests in associates | 20 | 90,366 | 391,939 |
| Investment in a joint venture | 21 | 579,548 | 630,700 |
| Available-for-sale investments | 22 | 1,607,288 | 1,159,141 |
| Derivative financial instruments | 33, 23 | 3,974 | 43 |
| Notes receivable | 24 | 50,470 | 186,304 |
| Restricted cash | 30 | – | 13,048 |
| | | 88,139,229 | 84,357,996 |
| Current assets | | | |
| Property under development | 25 | 2,415,529 | – |
| Inventories | 26 | 155,365 | 106,490 |
| Debtors, deposits and prepayments | 27 | 645,659 | 604,243 |
| Financial assets designated at fair value through profit or loss | 28 | 249,512 | 1,851,224 |
| Derivative financial instruments | 23 | – | 771 |
| Notes receivable | 24 | 124,635 | 8,875 |
| Tax recoverable | | 17,298 | 63,634 |
| Short term loan receivable | 29 | – | 67,072 |
| Restricted cash | 30 | 1,097,908 | – |
| Bank balances and cash | 30 | 9,100,225 | 10,711,723 |
| | | 13,806,131 | 13,414,032 |
| Current liabilities | | | |
| Creditors, deposits and accruals | 32 | 3,112,992 | 2,933,907 |
| Derivative financial instruments | 23 | 343 | – |
| Provision for taxation | | 139,376 | 116,386 |
| Distribution payable | | 219,981 | 250,202 |
| Borrowings due within one year | 34 | 3,230,655 | 7,042,379 |
| | | 6,703,347 | 10,342,874 |
| Net current assets | | 7,102,784 | 3,071,158 |
| Total assets less current liabilities | | 95,242,013 | 87,429,154 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------|-------------------|------------------|
| Non-current liabilities | | | |
| Derivative financial instruments | 23, 33 | 152 | 41,833 |
| Borrowings due after one year | 34 | 21,611,553 | 16,281,686 |
| Medium term note | 36 | 3,070,002 | 3,065,494 |
| Deferred taxation | 37 | 1,182,743 | 953,067 |
| | | 25,864,450 | 20,342,080 |
| NET ASSETS | | | |
| 69,377,563 | | | |
| Equity attributable to: | | | |
| Owners of the Company | | | |
| Share capital | 39 | 327,904 | 319,638 |
| Share premium and reserves | | 51,441,774 | 49,636,387 |
| | | 51,769,678 | 49,956,025 |
| Non-controlling interests | | | |
| | | (138,627) | (855,761) |
| | | 51,631,051 | 49,100,264 |
| Net assets attributable to non-controlling unitholders of Champion REIT | | | |
| | | 17,746,512 | 17,986,810 |
| | | 69,377,563 | 67,087,074 |

The consolidated financial statements on pages 94 to 205 were approved and authorised for issue by the Board of Directors on 5 March 2015 and are signed on its behalf by:

Lo Ka Shui
DIRECTOR

Lo Kai Shui
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|-----------------------------------|-------|-------------------|------------------|
| Non-current assets | | | |
| Investment in a subsidiary | 18 | 2,079,992 | 1,836,909 |
| Amount due from a subsidiary | 31 | 20,256,917 | 18,735,825 |
| | | 22,336,909 | 20,572,734 |
| Current assets | | | |
| Prepayments | | 287 | 289 |
| Amount due from a subsidiary | 31 | 633,713 | 2,247,427 |
| Bank balances and cash | | 5,906 | 5,915 |
| | | 639,906 | 2,253,631 |
| Current liability | | | |
| Accruals | | 6,257 | 6,611 |
| Net current assets | | 633,649 | 2,247,020 |
| NET ASSETS | | 22,970,558 | 22,819,754 |
| Share capital and reserves | | | |
| Share capital | 39 | 327,904 | 319,638 |
| Reserves | 40 | 22,642,654 | 22,500,116 |
| TOTAL EQUITY | | 22,970,558 | 22,819,754 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | Attributable to owners of the Company | | | | | | | | | | | | Amount attributable to non-controlling unitholders of Champion REIT | Non-controlling interests | Total | |
|---|---------------------------------------|---------------|--------------------------------|------------------------------|----------------------------|---------------------|------------------------------|----------------------|-----------------|----------------|------------------|-------------|---|---------------------------|-------------|----------|
| | Share capital | Share premium | Investment revaluation reserve | Property revaluation reserve | Capital redemption reserve | Contributed surplus | Exchange translation reserve | Share option reserve | Hedging reserve | Other reserves | Retained profits | Sub-total | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2013 | 315,700 | 3,972,206 | 37,763 | 23,109 | 3,054 | 400,965 | 211,435 | 45,795 | - | 1,620,463 | 36,140,514 | 42,771,004 | 18,647,877 | 2,859 | 61,421,740 | |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 2,399,472 | 2,399,472 | 906,298 | 71,893 | 3,377,663 | |
| Change in fair value of cash flow hedges | - | - | - | - | - | - | - | - | (27,106) | - | - | (27,106) | (17,808) | - | (44,914) | |
| Fair value gain on available-for-sale investments | - | - | 72,930 | - | - | - | - | - | - | - | - | 72,930 | - | - | 72,930 | |
| Reclassification adjustment upon disposal of available-for-sale investments | - | - | (20,587) | - | - | - | - | - | - | - | - | (20,587) | - | - | (20,587) | |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | (109,781) | - | - | - | - | (109,781) | - | - | (109,781) | |
| Share of other comprehensive expense of associates | - | - | (10) | - | - | - | (6,816) | - | - | - | - | (6,826) | - | - | (6,826) | |
| Share of other comprehensive income of a joint venture | - | - | - | - | - | - | 18,671 | - | - | - | - | 18,671 | - | - | 18,671 | |
| Total comprehensive income (expense) for the year | - | - | 52,333 | - | - | - | (97,926) | - | (27,106) | - | 2,399,472 | 2,326,773 | 888,490 | 71,893 | 3,287,156 | |
| Transaction with non-controlling unitholders of Champion REIT: | | | | | | | | | | | | | | | | |
| Distribution to non-controlling unitholders of Champion REIT | - | - | - | - | - | - | - | - | - | - | - | - | (488,831) | - | (488,831) | |
| | - | - | - | - | - | - | - | - | - | - | - | - | (488,831) | - | (488,831) | |
| Transaction with owners: | | | | | | | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | - | - | - | (1,058,993) | (1,058,993) | - | - | (1,058,993) | |
| Shares issued at premium | 3,938 | 242,469 | - | - | - | - | - | (21,130) | - | - | - | 225,277 | - | - | 225,277 | |
| Share issue expenses | - | (121) | - | - | - | - | - | - | - | - | - | (121) | - | - | (121) | |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | - | 15,042 | - | - | - | 15,042 | - | - | 15,042 | |
| Increase of interests in subsidiaries (note b) | - | - | - | - | - | - | - | - | - | 600,661 | - | 600,661 | (1,108,297) | 9,347 | (498,289) | |
| Recognised on disposal of interests in subsidiaries without losing control (note c) | - | - | - | - | - | - | - | - | - | 5,076,382 | - | 5,076,382 | 47,571 | (939,860) | 4,184,093 | |
| At 31 December 2013 | 319,638 | 4,214,554 | 90,096 | 23,109 | 3,054 | 400,965 | 113,509 | 39,707 | (27,106) | 7,297,506 | 37,480,993 | 49,956,025 | 17,986,810 | (855,761) | 67,087,074 | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Attributable to owners of the Company

| | Share capital 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 a) | Exchange translation reserve HK\$'000 | Share option reserve HK\$'000 | Hedging reserve HK\$'000 | Other reserves HK\$'000 | Retained profits HK\$'000 | Sub-total HK\$'000 | Amount attributable to non-controlling unitholders of Champion REIT HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
|--|---------------------------|---------------------------|--|--|--|---|--|----------------------------------|-----------------------------|----------------------------|------------------------------|-----------------------|---|---------------------------------------|-------------------|
| At 1 January 2014 | 319,638 | 4,214,554 | 90,096 | 23,109 | 3,054 | 400,965 | 113,509 | 39,707 | (27,106) | 7,297,506 | 37,480,993 | 49,956,025 | 17,986,810 | (855,761) | 67,087,074 |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 2,115,101 | 2,115,101 | 740,818 | 153,920 | 3,009,839 |
| Change in fair value of cash flow hedges | - | - | - | - | - | - | - | - | 26,958 | - | - | 26,958 | 17,716 | - | 44,674 |
| Fair value gain on available-for-sale investments | - | - | 81,892 | - | - | - | - | - | - | - | - | 81,892 | - | - | 81,892 |
| Reclassification adjustment upon disposal of available-for-sale investments | - | - | (133,794) | - | - | - | - | - | - | - | - | (133,794) | - | - | (133,794) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | (211,205) | - | - | - | - | (211,205) | - | 8 | (211,197) |
| Share of other comprehensive income of associates | - | - | 10 | - | - | - | 7,588 | - | - | - | - | 7,598 | - | - | 7,598 |
| Share of other comprehensive expense of a joint venture | - | - | - | - | - | - | (14,778) | - | - | - | - | (14,778) | - | - | (14,778) |
| Total comprehensive income (expense) for the year | - | - | (51,892) | - | - | - | (218,395) | - | 26,958 | - | 2,115,101 | 1,871,772 | 758,534 | 153,928 | 2,784,234 |
| Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT | - | - | - | - | - | - | - | - | - | - | - | - | (453,847) | - | (453,847) |
| | - | - | - | - | - | - | - | - | - | - | - | - | (453,847) | - | (453,847) |
| Transaction with owners: Dividend paid | - | - | - | - | - | - | - | - | - | - | (772,263) | (772,263) | - | - | (772,263) |
| Shares issued at premium | 8,266 | 428,515 | - | - | - | - | - | (4,457) | - | - | - | 432,324 | - | - | 432,324 |
| Share issue expenses | - | (99) | - | - | - | - | - | - | - | - | - | (99) | - | - | (99) |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | - | 18,701 | - | - | - | 18,701 | - | - | 18,701 |
| Increase of interests in subsidiaries (note b) | - | - | - | - | - | - | - | - | - | 284,226 | - | 284,226 | (544,985) | 43,852 | (216,907) |
| Waiver of distribution from a subsidiary (note d) | - | - | - | - | - | - | - | - | - | - | (21,008) | (21,008) | - | 21,008 | - |
| Contribution from non-controlling interests (note e) | - | - | - | - | - | - | - | - | - | - | - | - | - | 780,979 | 780,979 |
| Distribution to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (282,633) | (282,633) |
| At 31 December 2014 | 327,904 | 4,642,970 | 38,204 | 23,109 | 3,054 | 400,965 | (104,886) | 53,951 | (148) | 7,581,732 | 38,802,823 | 51,769,678 | 17,746,512 | (138,627) | 69,377,563 |

Notes:

- (a) 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.
- (b) It represents the effect from the Group's increase in interests in Champion REIT and Langham upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.
- (c) It represents the effect from the decrease in the Group's interest:
- Langham upon spin-off on 29 May 2013 that resulted in a disposal of 42.6% equity interests. An amount of HK\$5,076,382,000 recognised in other reserves represented the IPO proceeds less the net asset value of Langham attributable to non-controlling shareholders as at the spin-off date; and
 - Champion REIT due to the conversion of convertible bonds into Champion REIT units by other bondholders.
- (d) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, a subsidiary, has agreed to waive its entitlement to receive any distributions from its 150,000,000 share stapled units in Langham. During the year, distribution of HK\$21,008,000 was waived by the Group.
- (e) Pursuant to a limited partnership agreement, a new entity was formed and the Group had contributed certain investment properties and bank loan aggregately valued at HK\$747,024,000 and other investors had a capital contribution of HK\$780,979,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------|------------------|------------------|
| Operating activities | | | |
| Profit before tax | | 3,506,144 | 3,803,975 |
| Adjustments for: | | | |
| Fair value changes on investment properties | | (1,204,935) | (1,119,261) |
| Interest expense | | 623,404 | 545,171 |
| Depreciation | | 487,763 | 403,739 |
| Interest income | | (278,381) | (151,035) |
| Gain on disposal of available-for-sale investments | | (133,794) | (20,587) |
| Gain on deemed disposal of an associate | 38 | (66,238) | – |
| Income arising from historical tax credit | | (58,163) | – |
| Share of results of a joint venture | | 36,374 | 36,681 |
| Dividends received from listed available-for-sale investments | | (34,842) | (13,780) |
| Loss on disposal of property, plant and equipment | | 25,303 | 410 |
| Recognition of share-based payments | | 18,701 | 15,042 |
| Share of results of associates | | 9,739 | 9,514 |
| Fair value changes on financial assets designated at fair value through profit or loss | | (2,332) | (37,170) |
| Fair value changes on derivative financial instruments | | 297 | (812) |
| Allowance for doubtful debts | | 330 | 991 |
| Exchange differences | | 2,960 | 257 |
| Fair value changes on derivative components of convertible bonds | | – | (308,236) |
| Reversal of impairment loss in respect of a hotel property | | – | (149,170) |
| Gain on conversion of convertible bonds | | – | (29,302) |
| Impairment loss on an unlisted available-for-sale investment | | – | 7,794 |
| Fitting-out works of hotel buildings written off | | – | 105 |
| Operating cash flows before movements in working capital | | 2,932,330 | 2,994,326 |
| (Increase) decrease in debtors, deposits and prepayments | | (64,484) | 11,449 |
| Increase in inventories | | (45,514) | (12,736) |
| Increase in creditors, deposits and accruals | | 91,083 | 327,140 |
| Addition of property under development | | (2,415,529) | – |
| Proceeds on disposal of derivative financial instruments | | 1,012 | – |
| Cash generated from operations | | 498,898 | 3,320,179 |
| Hong Kong Profits Tax paid | | (205,445) | (412,304) |
| Other jurisdictions tax paid | | (56,392) | (16,513) |
| Hong Kong Profits Tax refunded | | 533 | 14,137 |
| Net cash from operating activities | | 237,594 | 2,905,499 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------|--------------------|--------------------|
| Investing activities | | | |
| Increase in time deposits with original maturity over three months | | (3,471,991) | – |
| Additions of available-for-sale investments | | (1,386,014) | (1,166,510) |
| Additions of property, plant and equipment | | (1,045,093) | (2,610,827) |
| Increase in financial assets designated at fair value through profit or loss | | (871,258) | (1,814,054) |
| Placement of restricted cash | | (870,227) | (6,826) |
| Acquisition of subsidiary net of cash acquired | 38 | (619,504) | – |
| Deposit for acquisition of property, plant and equipment | | (121,185) | – |
| Additions of investment properties | | (64,813) | (110,279) |
| Additions in associates | | (97) | – |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | | 2,475,302 | – |
| Proceeds on disposal of available-for-sale investments | | 1,115,044 | 206,532 |
| Interest received | | 317,672 | 85,799 |
| Dividends received from listed available-for-sale investments | | 33,425 | 13,780 |
| Dividends received from associates | | 21,313 | 23,498 |
| Proceeds from redemption of notes receivable | | 16,258 | – |
| Proceeds on disposal of property, plant and equipment | | 1,222 | 91 |
| Repayment from associates | | 23 | 124,101 |
| Acquisitions of investment properties | | – | (3,635,294) |
| Additions of notes receivable | | – | (193,105) |
| Withdrawal of restricted cash | | – | 116,265 |
| Addition of short term loan receivable | | – | (67,072) |
| Advances to an associate | | – | (322) |
| Net cash used in investing activities | | (4,469,923) | (9,034,223) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------------------|-------------------|
| Financing activities | | |
| Repayments of bank loans | (7,681,386) | (2,808,650) |
| Interest paid | (546,942) | (379,788) |
| Distribution paid to non-controlling unitholders of Champion REIT | (483,672) | (495,425) |
| Dividends paid to shareholders | (356,984) | (899,438) |
| Distribution paid to non-controlling interests | (282,633) | – |
| Acquisition of additional interests in subsidiaries | (216,907) | (498,289) |
| Bank origination fees | (76,403) | (166,608) |
| New bank loans raised | 8,008,536 | 12,614,194 |
| Contribution from non-controlling interests | 780,979 | – |
| Issue of shares | 16,946 | 65,601 |
| Proceeds from partial disposal of interests in subsidiaries | – | 4,260,870 |
| Proceeds from issuance of medium term note | – | 3,100,982 |
| Redemption of convertible bonds | – | (2,406,481) |
| Settlement upon conversion of convertible bonds | – | (322,940) |
| Transaction costs for partial disposal of interest in a subsidiary | – | (124,348) |
| Transaction costs for the issuance of medium term note | – | (39,230) |
| Net cash (used in) from financing activities | (838,466) | 11,900,450 |
| Net (decrease) increase in cash and cash equivalents | (5,070,795) | 5,771,726 |
| Effect of foreign exchange rates changes | (12,694) | (22,342) |
| Cash and cash equivalents at the beginning of the year | 10,711,723 | 4,962,339 |
| Cash and cash equivalents at the end of the year | | |
| Included in bank balances and cash | 5,628,234 | 10,711,723 |
| Analysis of the bank balances and cash: | | |
| Balance of cash and cash equivalents | 5,628,234 | 10,711,723 |
| Time deposits with original maturity over three months | 3,471,991 | – |
| | 9,100,225 | 10,711,723 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 introduction to 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, 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")

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"):

| | |
|---|--|
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities |
| HK(IFRIC) – Int 21 | Levies |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

| | |
|--|--|
| Amendments to HKAS 1 | Disclosure Initiative ⁴ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ⁴ |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants ⁴ |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions ¹ |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle ⁴ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying Consolidation Exception ⁴ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations ⁴ |
| HKFRS 9 | Financial Instruments ⁶ |
| HKFRS 14 | Regulatory Deferral Accounts ³ |
| HKFRS 15 | Revenue from Contracts with Customers ⁵ |

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

³ Effective for first time annual HKFRS financial statements beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for annual periods beginning on or after 1 January 2018.

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 and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial Instruments” (continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial Instruments” (continued)

The Directors of the Company anticipate that the application of HKFRS 9 may have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in account for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

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 which during the year continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the provisions which are set out in transitional and saving arrangements for Part 9 of Schedule 11 of the Hong Kong Companies Ordinance (Cap. 622).

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.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis.

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holding of other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred taxation assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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.

Investments in associates and a joint venture

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint arrangement. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or joint venture are initially recognised 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 or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments in associates and a joint venture (continued)**

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 or a joint venture. 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 an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture 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 leases 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.

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 assets net carrying amount.

Dividend income from investments including financial assets at fair value through profit or loss and listed available-for-sale investments are recognised when the shareholders' 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 titles have 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 is stated at cost less accumulated impairment loss.

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 medium-term lease period |
| Owner occupied properties and hotel buildings | Over the shorter of the term of the lease or 50 years |
| Furniture, fixtures and equipment | |
| Hotel renovation | 10% |
| Hotel machinery | 4% |
| Fine art | 4% |
| Other furniture and fixtures | 10% – 20% |
| Plant and machinery | 10% – 20% |
| Motor vehicles | 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)**

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.

When an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, the property, plant and equipment would be recognised at the fair value at the date of transfer. The fair value at the date of the transfer becomes the deemed cost for subsequent measurement and disclosure purposes.

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.

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 and is included in the consolidated income statement in the year in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land. Net realisable value is determined by management based on prevailing market conditions.

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.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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 except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Foreign currencies (continued)**

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.

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 before tax 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 differences 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 is 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are 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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated and the Company's statements 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (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 stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 6(f).

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 notes receivable, amount due from a subsidiary, amounts due from associates, debtors, short term loan receivable, 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.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)****Financial assets (continued)***Available-for-sale financial assets (continued)*

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

Financial liabilities and equity

Debt 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)****Financial liabilities and equity (continued)***Financial liabilities*

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

Derivative financial instruments and hedging

Derivatives 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. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks 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.

Hedge accounting

The Group uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash flow hedge (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately 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 in its entirety, 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 expire. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND 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 judgments, 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have been in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Champion REIT

As at 23 July 2010, the Group has held 51.28% ownership in Champion Real Estate Investment Trust ("Champion REIT"). Champion REIT is listed on the Stock Exchange and subject to the deed of trust dated 26 April 2006, as amended from time to time. HSBC Institutional Trust Services (Asia) Limited (the "Trustee") has the fiduciary duty to hold the assets of Champion REIT for the benefit of the holders and to oversee the activities of the REIT Manager for compliance in which the Trustee has merely protective rights. Since then the Group continued to hold increasing ownership interests in Champion REIT and as at 31 December 2014, the Group has a 61.65% (2013: 60.35%) ownership interest. The REIT Manager is also a wholly owned subsidiary of the Company.

The Directors assessed whether or not the Group has control over Champion REIT based on whether the Group has the practical ability to direct the relevant activities of Champion REIT unilaterally together with whether its remuneration creates exposure to credibility of returns from the relevant activities that is of such significant it indicates that the REIT Manager is a principal. In making their judgment, the Directors considered the Group's absolute size of holding in Champion REIT, and other facts and circumstances in which the REIT Manager is able to direct the relevant activities of Champion REIT and acts in the role of a principal, and concluded, in accordance with the requirements of HKFRS 10 "Consolidated Financial Statements", it had control over Champion REIT since 23 July 2010 and accordingly has consolidated Champion REIT in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Control over Pacific Eagle (US) Real Estate Fund, L.P. and its subsidiaries (collectively referred to as "US Real Estate Fund")

On 15 August 2014, US Real Estate Fund was newly formed upon a limited partnership agreement entered by Pacific Eagle China Orient (US) Real Estate GP, LLC (as general partner and referred as the "US Fund GP") and the limited partners (the "Limited Partnership Agreement"). US Real Estate Fund has a term of five years and may continue provided that the US Fund GP extends such termination date for up to two additional years and the US Fund GP may, with the consent of majority interest of the limited partners, further extend the termination date for additional periods. In the formation of the US Real Estate Fund, the Group provided capital contributions by way of transferring certain investment properties. The Group effectively holds 48.9% interests in the US Real Estate Fund. In making their judgment, the Directors considered the Group's 80% ownership of the US Fund GP and in accordance with the Limited Partnership Agreement, the US Fund GP is able to direct the relevant activities of US Real Estate Fund. After assessment, the Directors concluded that the Group has control over the US Real Estate Fund and is accounted for as a subsidiary of the Company in accordance with the requirements of HKFRS 10.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale. As a result, the Group has not recognised any deferred taxation on changes in fair value of investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the investment properties situated in the United States of America ("USA") and the People's Republic of China ("PRC"), the Group has recognised the deferred taxation on changes in fair value of investment properties as the Group is subject to income taxes on disposal of investment properties and land appreciation tax on disposal of its investment property, respectively.

Key sources of estimation uncertainty

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 and the PRC, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)**Investment properties (continued)**

In determining the fair value of investment properties situated in the 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. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

Derivative financial instruments

In addition, as described in notes 23 and 33, the fair values of derivative financial instruments that are not quoted in active markets are provided by counterparty financial institutions and determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps and derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

Where the actual future market data varies, a material adjustment on the fair values of derivative financial assets classified as held-for-trading and cross currency swaps may result. In relying on the valuation provided by counterparty financial institutions, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

Valuation processes of fair value

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Acquisition of subsidiary

As disclosed in note 38, the net assets acquired and previously held interest in relation to the acquisition of subsidiary are stated at fair value based on the valuation performed by an independent professional valuer. The independent professional valuer determined the fair values based on a method of valuation which involves the use of certain estimates. Management is of the view that the estimates used by the professional valuers and the fair values are the best estimate of the likely values at the date of finalisation of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include borrowings and medium term note disclosed in notes 34 and 36 respectively, 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, notes receivable, amounts due from associates, amount due from a subsidiary, debtors, short term loan receivable, financial assets designated at FVTPL, restricted cash, bank balances and cash, creditors, derivative financial instruments, medium term note 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

The Group's fair value interest rate risk relates to fixed-rate short term bank deposits, other borrowings, restricted cash, unsecured bonds included in notes receivable, short term loan receivable and medium term note.

The Group's exposure to cash flow interest rate risk is resulted primarily from fluctuations in interest rates of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from 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 interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(a) Market risk (continued)****(i) Interest rate risk (continued)***Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings, notes receivable and bank balances denominated in foreign currencies at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. 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 (2013: 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 2014 would decrease/increase by HK\$85,195,000 (2013: HK\$75,860,000).

(ii) Currency risk

The Group has certain bank deposits, medium term note, financial assets at FVTPL, currency linked notes designated at FVTPL, short term loan receivable, available-for-sale investments 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.

The Group's medium term note is denominated in a foreign currency (i.e. United States dollars ("US\$")) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term note. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 33 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

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

| | Assets | | Liabilities | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Renminbi ("RMB") | 6,709,311 | 6,206,881 | – | – |
| Pound Sterling | 15,296 | 121,635 | – | – |
| US\$ | 1,295,490 | 576,650 | 3,077,426 | 3,067,258 |
| Euro dollars | 25,642 | 5,128 | – | – |
| Australian dollars | 3,967 | 9,642 | – | – |
| New Zealand dollars | 47 | 67,154 | – | – |
| Canadian dollars | 48 | 133,070 | – | – |

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2013: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US\$, no material currency risk exposure is expected on US\$ denominated monetary assets and monetary liabilities and the cross currency swaps. Therefore they are excluded from the sensitivity analysis below. 10% (2013: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably 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% (2013: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2013: 10%) against the relevant currency. For a 10% (2013: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit before tax for the year, and the balances below would be negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis (continued)

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------|------------------|------------------|
| RMB | 670,931 | 617,953 |
| Pound Sterling | 1,530 | 12,164 |
| Euro dollars | 2,564 | 513 |
| Australian dollars | 397 | 964 |
| New Zealand dollars | 5 | 6,715 |
| Canadian dollars | 5 | 13,307 |

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.

(iii) Other price risk

The Group's listed and certain unlisted available-for-sale equity investments and equity linked notes designated as FVTPL 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 arise.

Sensitivity analysis

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 and unlisted available-for-sale equity investments measured at fair value had been 10% (2013: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK\$112,165,000 (2013: HK\$103,025,000) for the Group as a result of the changes in fair value of listed and unlisted available-for-sale investments.

If the share prices of the equity instruments underlying the equity linked notes had been 5% higher, so it does not trigger the strike price, there would be no change in profit before tax whereas if the prices had been 5% lower, the profit before tax for the year ended 31 December 2014 would decrease by HK\$973,000 (2013: HK\$8,330,000) as a result of changes in fair value of financial assets designated at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK\$5,628,234,000 as at 31 December 2014 (2013: HK\$10,711,723,000). In addition to the cash resources, the Group has available borrowing facilities of which undrawn committed facility in the form of revolving bank loans amounted to HK\$3,750,000,000 as at 31 December 2014 (2013: HK\$750,000,000).

The Group established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. As detailed in note 36, as at 31 December 2014, the Group issued an aggregate principal amount of US\$400,000,000 (2013: US\$400,000,000) was issued and a balance of US\$600,000,000 (2013: US\$600,000,000) under the guaranteed medium term note programme was available for issuance.

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 | 3 to 6 | 6 months | 1 to 2 | 2 to 3 | 3 to 4 | Over 4 | Total | Total |
|------------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|------------|
| | | months | months | to 1 year | years | years | years | years | undiscounted | carrying |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | cash flows | amount |
| | | | | | | | | | as at | |
| | | | | | | | | | 31 December | |
| | | | | | | | | | HK\$'000 | |
| THE GROUP | | | | | | | | | | |
| 2014 | | | | | | | | | | |
| Non-interest bearing | - | 1,071,059 | - | - | - | - | - | - | 1,071,059 | 1,071,059 |
| Fixed interest rate instruments | 3.75% to 6.09% | 37,964 | 38,005 | 663,517 | 489,178 | 116,352 | 116,352 | 3,626,304 | 5,087,672 | 4,047,080 |
| Variable interest rate instruments | 0.84% to 5.60% | 652,780 | 152,579 | 2,283,586 | 9,363,728 | 4,939,538 | 3,163,807 | 4,342,443 | 24,898,461 | 23,865,130 |
| | | 1,761,803 | 190,584 | 2,947,103 | 9,852,906 | 5,055,890 | 3,280,159 | 7,968,747 | 31,057,192 | 28,983,269 |
| 2013 | | | | | | | | | | |
| Non-interest bearing | - | 999,869 | - | - | - | - | - | - | 999,869 | 999,869 |
| Fixed interest rate instruments | 3.75% to 6.09% | 49,158 | 49,166 | 98,223 | 839,485 | 489,002 | 116,310 | 3,741,305 | 5,382,649 | 4,163,539 |
| Variable interest rate instruments | 0.88% to 4.91% | 97,613 | 7,075,631 | 151,098 | 2,514,970 | 9,108,225 | 1,109,443 | 2,957,880 | 23,014,860 | 22,226,020 |
| | | 1,146,640 | 7,124,797 | 249,321 | 3,354,455 | 9,597,227 | 1,225,753 | 6,699,185 | 29,397,378 | 27,389,428 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 (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 | 1 to 2 years HK\$'000 | 2 to 5 years HK\$'000 | Over 5 years HK\$'000 | Total HK\$'000 |
|-------------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------|
| THE GROUP | | | | | | | |
| 2014 | | | | | | | |
| Derivatives gross settlement | | | | | | | |
| Currency forward contracts | | | | | | | |
| – inflow | 2,009 | 1,340 | 700 | 1,720 | – | – | 5,769 |
| – outflow | (2,221) | (1,385) | (786) | (1,872) | – | – | (6,264) |
| | (212) | (45) | (86) | (152) | – | – | (495) |
| Cross currency swaps | | | | | | | |
| – inflow | 58,279 | – | 58,279 | 116,558 | 349,673 | 3,511,681 | 4,094,470 |
| – outflow | (55,965) | (3,466) | (57,039) | (116,908) | (348,891) | (3,508,227) | (4,090,496) |
| | 2,314 | (3,466) | 1,240 | (350) | 782 | 3,454 | 3,974 |
| 2013 | | | | | | | |
| Derivatives gross settlement | | | | | | | |
| Currency forward contracts | | | | | | | |
| – inflow | 1,936 | 1,753 | 16,001 | 1,680 | – | – | 21,370 |
| – outflow | (1,858) | (1,680) | (15,382) | (1,636) | – | – | (20,556) |
| | 78 | 73 | 619 | 44 | – | – | 814 |
| Cross currency swaps | | | | | | | |
| – inflow | 55,859 | – | 55,859 | 111,718 | 335,154 | 3,606,461 | 4,165,051 |
| – outflow | (55,009) | (3,585) | (57,796) | (116,469) | (349,448) | (3,624,577) | (4,206,884) |
| | 850 | (3,585) | (1,937) | (4,751) | (14,294) | (18,116) | (41,833) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(c) Credit risk**

The Group's and the Company's principal financial assets in which credit risk is primarily attributable to financial assets at FVTPL, available-for-sale debt investments, notes receivable, amount due from a subsidiary, amounts due from associates, debtors, short term loan receivable, restricted cash 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 2014 and 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's statements of financial position.

The credit risk on liquid funds, notes receivables and financial assets designated at FVTPL is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

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.

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, including amounts due from associates, 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 and the Group's amounts due from associates, short term loan receivable, notes receivable and financial assets designated at FVTPL, the Group and the Company have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Financial assets | | |
| <i>Loans and receivables</i> | | |
| Trade debtors | 316,825 | 301,250 |
| Other receivables | 40,873 | 74,029 |
| Notes receivable | 175,105 | 195,179 |
| Amounts due from associates | 12,054 | 156,373 |
| Restricted cash | 1,097,908 | 13,048 |
| Short term loan receivable | – | 67,072 |
| Bank balances and cash | 9,100,225 | 10,711,723 |
| | 10,742,990 | 11,518,674 |
| <i>Financial assets at FVTPL</i> | | |
| Financial assets designated at FVTPL | 249,512 | 1,851,224 |
| Derivative financial instruments classified as held-for-trading | – | 814 |
| | 249,512 | 1,852,038 |
| <i>Available-for-sale financial assets</i> | | |
| Available-for-sale investments | 1,607,288 | 1,159,141 |
| <i>Derivative instruments in designated hedge accounting relationship</i> | | |
| Derivative financial instruments | 3,974 | – |
| Financial liabilities | | |
| <i>Financial liabilities at amortised costs</i> | | |
| Trade creditors | 219,163 | 191,674 |
| Other payables | 631,915 | 557,993 |
| Distribution payable | 219,981 | 250,202 |
| Borrowings | 24,842,208 | 23,324,065 |
| Medium term note | 3,070,002 | 3,065,494 |
| | 28,983,269 | 27,389,428 |
| <i>Financial liability at FVTPL</i> | | |
| Derivative financial instruments classified as held-for-trading | 495 | – |
| <i>Derivative instruments in designated hedge accounting relationship</i> | | |
| Derivative financial instruments | – | 41,833 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments (continued)

| | THE COMPANY | |
|------------------------------|-------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Financial assets | | |
| <i>Loans and receivables</i> | | |
| Amount due from a subsidiary | 20,890,630 | 20,983,252 |
| Bank balances and cash | 5,906 | 5,915 |
| | 20,896,536 | 20,989,167 |

(e) Fair value

The fair values of financial assets and financial liabilities, including listed available-for-sale investments, derivative financial instruments and financial assets at FVTPL are determined as detailed in note 6(f). The fair value 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 and the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated and the Company's financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. 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 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| 2014 | | | | |
| Financial assets | | | | |
| <i>Financial assets at FVTPL</i> | | | | |
| Financial assets designated at FVTPL | – | 14,783 | 234,729 | 249,512 |
| Derivative financial assets under hedge accounting | – | 3,974 | – | 3,974 |
| <i>Available-for-sale investments</i> | | | | |
| Listed equity securities | 565,184 | – | – | 565,184 |
| Unlisted equity securities | 556,465 | – | – | 556,465 |
| Listed debt securities | 73,682 | – | – | 73,682 |
| Total | 1,195,331 | 18,757 | 234,729 | 1,448,817 |
| Financial liability | | | | |
| <i>Financial liability at FVTPL</i> | | | | |
| Derivative financial instruments classified as held-for-trading | – | 495 | – | 495 |
| 2013 | | | | |
| Financial assets | | | | |
| <i>Financial assets at FVTPL</i> | | | | |
| Financial assets designated at FVTPL | – | 1,851,224 | – | 1,851,224 |
| Derivative financial instruments classified as held-for-trading | – | 814 | – | 814 |
| <i>Available-for-sale investments</i> | | | | |
| Listed equity securities | 1,030,253 | – | – | 1,030,253 |
| Listed debt securities | 75,439 | – | – | 75,439 |
| Total | 1,105,692 | 1,852,038 | – | 2,957,730 |
| Financial liabilities | | | | |
| Derivative financial liabilities under hedge accounting | – | 41,833 | – | 41,833 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

| Financial assets/(liabilities) | Fair value as at 31 December | | Fair value hierarchy | Valuation technique and key inputs |
|--|---------------------------------|------------------|-------------------------|--|
| | 2014 HK\$'000 | 2013 HK\$'000 | | |
| Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position. | 565,184 | 1,030,253 | Level 1 | Quoted bid prices in an active market. |
| Listed debt securities classified as available-for-sale investments in the consolidated statement of financial position. | 73,682 | 75,439 | Level 1 | Quoted bid prices in an active market. |
| Unlisted equity securities classified as available-for-sale investments in the consolidated statement of financial position | 556,465 | – | Level 1 | Quoted bid prices in an active market. |
| Equity and currency linked notes classified as financial assets designated at FVTPL in the consolidated statement of financial position. | 14,783 | 1,851,224 | Level 2 | Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties. |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

| Financial assets/(liabilities) | Fair value as at 31 December | | Fair value hierarchy | Valuation technique and key inputs |
|---|------------------------------|------------------|----------------------|--|
| | 2014 HK\$'000 | 2013 HK\$'000 | | |
| Foreign currency derivative contracts classified as derivative financial instruments in the consolidated statement of financial position. | (495) | 814 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties. |
| Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position. | 3,974 | (41,833) | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates discounted at a rate that reflects the credit risk of various counterparties. |

| Financial assets/(liabilities) | Fair value as at 31 December | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs |
|---|------------------------------|------------------|----------------------|--|---|
| | 2014 HK\$'000 | 2013 HK\$'000 | | | |
| Equity linked notes classified as financial assets designated at FVTPL in the consolidated statement of financial position. | 154,729 | – | Level 3 | Discounted cash flow. Future cash flows are estimated based on probability-adjusted share prices, contracted share prices and volatility discounted at a rate that reflects the credit risk of various counterparties. | Volatility of underlying share prices. (Note 1) |
| Credit linked notes classified as financial assets designated at FVTPL in the consolidated statement of financial position. | 80,000 | – | Level 3 | Discounted cash flow. Future cash flows are estimated based on historical credit risk, discounted at a rate that reflects the credit risk of various counterparties. | Credit risk of underlying listed entity. (Note 2) |

Note 1: The higher the volatility, the higher the fair value of equity linked notes. A reasonably possible change in the unobservable input would result in a significantly higher or lower fair value measurement.

Note 2: The higher the credit risk, the lower the fair value of credit linked notes. A reasonably possible change in the unobservable input would result in a significantly higher or lower fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 measurements of financial liabilities

| | Derivative components of convertible bonds HK\$'000 | Equity/credit linked notes HK\$'000 | Total HK\$'000 |
|----------------------------|---|--|-------------------|
| As at 1 January 2013 | (308,563) | – | (308,563) |
| Change in fair value | 308,236 | – | 308,236 |
| Conversion during the year | 327 | – | 327 |
| As at 31 December 2013 | – | – | – |
| Purchases | – | 351,790 | 351,790 |
| Disposals | – | (116,353) | (116,353) |
| Change in fair value | – | (708) | (708) |
| As at 31 December 2014 | – | 234,729 | 234,729 |

The above change in fair value under derivative components of convertible bonds is reported as “fair value change of derivative components of convertible bonds” and change in fair value under equity and credit linked notes is reported as “fair value changes on financial assets designated at FVTPL” 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, property agency commission and income from fitness centre and restaurant operations.

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------------------|------------------|------------------|
| Property rental income | 2,475,899 | 2,272,258 |
| Building management service income | 233,174 | 212,896 |
| Hotel income | 4,944,644 | 4,434,379 |
| Sales of goods | 228,838 | 194,662 |
| Dividend income | 34,842 | 13,780 |
| Others | 209,970 | 173,039 |
| | 8,127,367 | 7,301,014 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 (“CODM”) (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of the US Real Estate Fund and each listed group, including Great Eagle Holdings Limited, Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”). The Group’s operating and reportable segments under HKFRS 8 “Operating Segments” 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 | – hotel accommodation, food and banquet operations as well as hotel management. |
| Other operations | – sales of building materials, restaurant operation, fitness centre operation, investment in securities, provision of property management, maintenance and property agency services. |
| US Real Estate Fund | – based on rental income and related expenses of the properties owned by the US Real Estate Fund. |
| Results from Champion REIT | – based on published financial information of Champion REIT. |
| Results from Langham | – based on published financial information of Langham. |

Segment results of Champion REIT represent the published net property income less manager’s fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments represent the results of 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 joint venture, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets designated at FVTPL, reversal of impairment loss in respect of a hotel property, gain on conversion of convertible bond, other income, finance costs and income taxes. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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:

Segment revenue and results 2014

| | Property investment HK\$'000 | Hotel operation HK\$'000 | Other operations HK\$'000 | Sub-total HK\$'000 | Champion REIT HK\$'000 | Langham HK\$'000 | US Real Estate Fund HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|-----------------------|---------------------------------|-----------------------------|------------------------------|-----------------------|---------------------------|---------------------|---------------------------------|--------------------------|--------------------------|
| REVENUE | | | | | | | | | |
| External revenue | 416,960 | 4,944,644 | 473,650 | 5,835,254 | 2,264,321 | 5,204 | 22,588 | - | 8,127,367 |
| Inter-segment revenue | - | 75,696 | 319,019 | 394,715 | 23,918 | 746,534 | - | (1,165,167) | - |
| Total | 416,960 | 5,020,340 | 792,669 | 6,229,969 | 2,288,239 | 751,738 | 22,588 | (1,165,167) | 8,127,367 |

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

| | Property investment HK\$'000 | Hotel operation HK\$'000 | Other operations HK\$'000 | Sub-total HK\$'000 | Champion REIT HK\$'000 | Langham HK\$'000 | US Real Estate Fund HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--|---------------------------------|-----------------------------|------------------------------|-----------------------|---------------------------|---------------------|---------------------------------|--------------------------|--------------------------|
| RESULTS | | | | | | | | | |
| Segment results | 262,837 | 514,670 | 505,924 | 1,283,431 | 1,584,328 | 624,084 | 4,711 | (8,197) | 3,488,357 |
| Depreciation | | | | (331,564) | - | (156,199) | - | - | (487,763) |
| Operating profit after depreciation | | | | 951,867 | 1,584,328 | 467,885 | 4,711 | (8,197) | 3,000,594 |
| Fair value changes on investment properties | | | | 223,903 | 889,935 | - | 91,097 | - | 1,204,935 |
| Fair value changes on derivative financial instruments | | | | (297) | - | - | - | - | (297) |
| Fair value changes on financial assets designated at FVTPL | | | | 2,332 | - | - | - | - | 2,332 |
| Other income | | | | 261,199 | - | - | - | - | 261,199 |
| Administrative and other expenses | | | | (523,318) | (16,982) | (25,100) | (9,926) | 3,842 | (571,484) |
| Net finance costs | | | | 84,552 | (313,831) | (111,508) | (4,235) | - | (345,022) |
| Share of results of associates | | | | (9,739) | - | - | - | - | (9,739) |
| Share of results of a joint venture | | | | (36,374) | - | - | - | - | (36,374) |
| Profit before tax | | | | 954,125 | 2,143,450 | 331,277 | 81,647 | (4,355) | 3,506,144 |
| Income taxes | | | | (211,929) | (214,887) | (69,489) | - | - | (496,305) |
| Profit for the year | | | | 742,196 | 1,928,563 | 261,788 | 81,647 | (4,355) | 3,009,839 |
| Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT | | | | (2,484) | (740,818) | (109,700) | (41,736) | - | (894,738) |
| Profit attributable to owners of the Company | | | | 739,712 | 1,187,745 | 152,088 | 39,911 | (4,355) | 2,115,101 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)
2013

| | Property investment HK\$'000 | Hotel operation HK\$'000 | Other operations HK\$'000 | Sub-total HK\$'000 | Champion REIT HK\$'000 | Langham HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|-----------------------|------------------------------------|--------------------------------|---------------------------------|-----------------------|------------------------------|---------------------|--------------------------|--------------------------|
| REVENUE | | | | | | | | |
| External revenue | 334,454 | 4,434,379 | 381,481 | 5,150,314 | 2,147,736 | 2,964 | - | 7,301,014 |
| Inter-segment revenue | - | 47,091 | 316,287 | 363,378 | 31,532 | 468,800 | (863,710) | - |
| Total | 334,454 | 4,481,470 | 697,768 | 5,513,692 | 2,179,268 | 471,764 | (863,710) | 7,301,014 |

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

RESULTS

| | | | | | | | | |
|---|---------|---------|---------|-----------|-----------|----------|----------|-----------|
| Segment results | 209,613 | 672,926 | 460,844 | 1,343,383 | 1,538,066 | 394,392 | (25,311) | 3,250,530 |
| Depreciation | | | | (313,243) | - | (90,496) | - | (403,739) |
| Operating profit after depreciation | | | | 1,030,140 | 1,538,066 | 303,896 | (25,311) | 2,846,791 |
| Fair value changes on investment properties | | | | 288,720 | 808,988 | - | 21,553 | 1,119,261 |
| Fair value changes on derivative financial instruments | | | | 812 | 308,236 | - | - | 309,048 |
| Fair value changes on financial assets designated at FVTPL | | | | 37,170 | - | - | - | 37,170 |
| Gain on conversion of convertible bonds | | | | - | 29,302 | - | - | 29,302 |
| Reversal of impairment loss in respect of a hotel property | | | | 149,170 | - | - | - | 149,170 |
| Other income | | | | 90,060 | - | 4,452 | - | 94,512 |
| Administrative and other expenses | | | | (281,055) | (20,707) | (42,944) | 3,758 | (340,948) |
| Net finance costs | | | | 6,484 | (329,019) | (71,601) | - | (394,136) |
| Share of results of associates | | | | (9,514) | - | - | - | (9,514) |
| Share of results of a joint venture | | | | (36,681) | - | - | - | (36,681) |
| Profit before tax | | | | 1,275,306 | 2,334,866 | 193,803 | - | 3,803,975 |
| Income taxes | | | | (262,725) | (136,212) | (27,375) | - | (426,312) |
| Profit for the year | | | | 1,012,581 | 2,198,654 | 166,428 | - | 3,377,663 |
| Less: Profit attributable to non-controlling interests/non-controlling unitholders of Champion REIT | | | | (1,533) | (906,298) | (70,360) | - | (978,191) |
| Profit attributable to owners of the Company | | | | 1,011,048 | 1,292,356 | 96,068 | - | 2,399,472 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

31 December 2014

| | Assets HK\$'000 | Liabilities HK\$'000 | Net Assets HK\$'000 |
|---------------------------------|--------------------|-------------------------|------------------------|
| Property investment (note a) | 6,480,727 | 2,181,489 | 4,299,238 |
| Hotel operation (note a) | 13,006,151 | 5,485,441 | 7,520,710 |
| Other operations (note a) | 2,866,521 | 201,407 | 2,665,114 |
| Unallocated | 9,388,790 | 425,061 | 8,963,729 |
| Great Eagle operations (note b) | 31,742,189 | 8,293,398 | 23,448,791 |
| US Real Estate Fund (note c) | 1,042,963 | 254,552 | 788,411 |
| Champion REIT (note d) | 39,239,160 | 10,356,909 | 28,882,251 |
| Langham (note d) | 10,307,606 | 4,088,251 | 6,219,355 |

31 December 2013

| | Assets HK\$'000 | Liabilities HK\$'000 | Net Assets HK\$'000 |
|---------------------------------|--------------------|-------------------------|------------------------|
| Property investment (note a) | 7,281,271 | 3,860,127 | 3,421,144 |
| Hotel operation (note a) | 10,714,163 | 2,883,688 | 7,830,475 |
| Other operations (note a) | 436,813 | 150,114 | 286,699 |
| Unallocated | 11,967,036 | 133,356 | 11,833,680 |
| Great Eagle operations (note b) | 30,399,283 | 7,027,285 | 23,371,998 |
| Champion REIT (note d) | 37,914,539 | 10,156,565 | 27,757,974 |
| Langham (note d) | 10,148,763 | 3,989,897 | 6,158,866 |

Notes:

- (a) The segment assets include primarily investment properties, property, plant and equipment, equity securities classified as available-for-sale, inventories, notes receivable, financial assets designated at FVTPL and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, provision for taxation and deferred taxation attributable to respective operating segments.
- (b) In addition to the major items discussed in note (a), included in the assets and liabilities are bank deposit and restricted cash of HK\$7,765,491,000 (2013: HK\$8,906,402,000) and borrowings of HK\$6,089,419,000 (2013: HK\$5,082,384,000), representing net cash of HK\$1,676,072,000 as at 31 December 2014 (2013: HK\$3,824,018,000).
- (c) Assets and liabilities of the US Real Estate Fund are based on results of the fund at the 48.9% interest held by Great Eagle Holdings Limited.
- (d) Assets and liabilities of Champion REIT and Langham are based on published results of Champion REIT and Langham, excluding distribution payable attributable from Champion REIT of HK\$353,633,000 (2013: HK\$380,824,000) at the respective interests held by Great Eagle Holdings Limited, being 61.65% and 58.22% (2013: 60.35% and 57.72%), respectively. Additionally, the assets of Langham include the hotel properties' appraised value of HK\$17,000,000,000 as at 31 December 2014 (2013: HK\$16,696,000,000). Such hotel properties have a carrying amount (at cost less accumulated depreciation) of HK\$4,190,973,000 (2013: HK\$4,214,397,000) as recognised in the Group's consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. SEGMENT INFORMATION (continued)

Geographical information

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

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 investment in a joint venture by the geographical location of the assets are detailed as follows:

| | Revenue from external customers | | Carrying amounts of non-current assets | |
|--------------------|---------------------------------|------------------|--|-------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Hong Kong | 4,616,085 | 4,431,521 | 71,201,195 | 70,243,958 |
| The USA | 1,563,717 | 955,625 | 8,423,617 | 7,613,078 |
| Canada | 485,690 | 485,109 | 700,535 | 734,966 |
| The United Kingdom | 553,691 | 552,956 | 1,837,277 | 1,971,400 |
| Australia | 511,834 | 563,119 | 955,833 | 985,754 |
| New Zealand | 291,192 | 267,970 | 397,841 | 426,250 |
| The PRC | 85,069 | 42,771 | 2,170,076 | 1,415 |
| Others | 20,089 | 1,943 | 24 | – |
| | 8,127,367 | 7,301,014 | 85,686,398 | 81,976,821 |

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. OTHER INCOME

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Interest income on: | | |
| Bank deposits | 242,946 | 136,148 |
| Financial assets designated at FVTPL | 25,528 | 8,996 |
| Listed debt securities | 3,485 | 2,252 |
| Notes receivable | 6,422 | 3,639 |
| | 278,381 | 151,035 |
| Net exchange gain | – | 71,210 |
| Gain on disposal of available-for-sale investments | 133,794 | 20,587 |
| Gain on deemed disposal of an associate (note 38) | 66,238 | – |
| Income arising from historical tax credit | 58,163 | – |
| Sundry income | 3,005 | 2,715 |
| | 539,581 | 245,547 |

10. FINANCE COSTS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Interest on bank borrowings not wholly repayable within five years | 4,106 | – |
| Interest on bank borrowings wholly repayable within five years | 334,091 | 260,121 |
| Interest on other loans wholly repayable within five years | 80,459 | 42,356 |
| Interest on convertible bonds wholly repayable within five years | – | 69,969 |
| Interest on medium term note not wholly repayable within five years | 116,427 | 107,648 |
| Other borrowing costs | 88,321 | 65,077 |
| | 623,404 | 545,171 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. INCOME TAXES

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------------------|------------------|------------------|
| Current tax: | | |
| Current year: | | |
| Hong Kong Profits Tax | 267,231 | 202,819 |
| Other jurisdictions | 59,326 | 34,536 |
| | 326,557 | 237,355 |
| Underprovision in prior years: | | |
| Hong Kong Profits Tax | 2,294 | 10,404 |
| Other jurisdictions | 6,369 | 4,541 |
| | 8,663 | 14,945 |
| | 335,220 | 252,300 |
| Deferred tax (note 37): | | |
| Current year | 172,715 | 219,212 |
| Overprovision in prior years | (3,553) | (40,857) |
| Attributable to change in tax rate | (8,077) | (4,343) |
| | 161,085 | 174,012 |
| | 496,305 | 426,312 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Profit before tax | 3,506,144 | 3,803,975 |
| Tax at the domestic income tax rate of 16.5% (2013: 16.5%) | 578,514 | 627,656 |
| Tax effect of expenses that are not deductible for tax purpose | 53,519 | 32,726 |
| Tax effect of income that is not taxable for tax purpose | (242,142) | (247,236) |
| Under(over)provision in prior years | 5,109 | (25,912) |
| Tax effect of share of results of associates | 1,607 | 1,570 |
| Tax effect of share of results of a joint venture | 6,002 | 6,052 |
| Tax effect of tax losses not recognised | 28,083 | 27,805 |
| Utilisation of tax losses previously not recognised | (7,650) | (100,207) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 69,186 | 97,252 |
| Others | 4,077 | 6,606 |
| Tax charge for the year | 496,305 | 426,312 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. PROFIT FOR THE YEAR

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Profit for the year has been arrived at after charging: | | |
| Staff costs (including Directors' emoluments) | 2,138,474 | 1,879,565 |
| Share based payments (including Directors' emoluments) | 18,701 | 15,042 |
| | 2,157,175 | 1,894,607 |
| Depreciation | 487,763 | 403,739 |
| Auditor's remuneration | 13,123 | 10,550 |
| Trustee's remuneration | 10,891 | 10,534 |
| Allowance for doubtful debts | 330 | 991 |
| Cost of inventories recognised as an expense | 686,536 | 613,293 |
| Fitting-out works of hotel building written off (included in other expenses) | – | 105 |
| Net exchange loss (included in other expenses) | 156,951 | – |
| Impairment loss on an unlisted available-for-sale investment | – | 7,794 |
| Listing expenses in relation to the spin-off of Langham (note) | – | 40,960 |
| Loss on disposal of property, plant and equipment (included in other expenses) | 25,303 | 410 |
| Operating lease payments on rented premises | 10,083 | 15,512 |
| Share of tax of associates (included in the share of results of associates) | 2,935 | 3,902 |
| and after crediting: | | |
| Dividend income from listed available-for-sale investments | 34,842 | 13,780 |
| Rental income from investment properties less related outgoings of HK\$403,501,000 (2013: HK\$314,863,000) | 2,072,398 | 1,957,395 |

Note: The amount during the year ended 31 December 2013 represented the portion of listing expenses recognised in the profit or loss of which HK\$34,748,000 was borne by Langham.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the twelve (2013: twelve) Directors were as follows:

| | 2014 | | | | | Total HK\$'000 |
|-------------------------------------|------------------|---|--------------------------------------|------------------------------|---|-------------------|
| | Fees HK\$'000 | Salaries and other benefits HK\$'000 | Discretionary bonuses HK\$'000 | Share options HK\$'000 | Retirement benefits scheme contributions HK\$'000 | |
| Madam LO TO Lee Kwan | 130 | – | – | – | – | 130 |
| Dr. LO Ka Shui | 130 | 11,054 | 7,740 | 3,812 | 464 | 23,200 |
| Mr. LO Kai Shui | 130 | 1,576 | 361 | 605 | 72 | 2,744 |
| 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 | 1,395 | 349 | 605 | 70 | 2,549 |
| Madam LAW Wai Duen | 130 | 564 | 141 | 605 | 28 | 1,468 |
| Mr. LO Hong Sui, Vincent | 130 | – | – | – | – | 130 |
| Dr. LO Ying Sui | 130 | – | – | – | – | 130 |
| Mr. KAN Tak Kwong | 130 | 5,380 | 1,345 | 1,815 | 269 | 8,939 |
| | 2,510 | 19,969 | 9,936 | 7,442 | 903 | 40,760 |

| | 2013 | | | | | Total HK\$'000 |
|-------------------------------------|------------------|---|--------------------------------------|------------------------------|---|-------------------|
| | Fees HK\$'000 | Salaries and other benefits HK\$'000 | Discretionary bonuses HK\$'000 | Share options HK\$'000 | Retirement benefits scheme contributions HK\$'000 | |
| Madam LO TO Lee Kwan | 130 | – | – | – | – | 130 |
| Dr. LO Ka Shui | 130 | 10,500 | 5,787 | 3,331 | 434 | 20,182 |
| Mr. LO Kai Shui | 130 | 1,514 | 254 | 530 | 69 | 2,497 |
| 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 | 1,335 | 244 | 544 | 67 | 2,320 |
| Madam LAW Wai Duen | 130 | 539 | 99 | 530 | 27 | 1,325 |
| Mr. LO Hong Sui, Vincent | 130 | – | – | – | – | 130 |
| Dr. LO Ying Sui | 130 | – | – | – | – | 130 |
| Mr. KAN Tak Kwong | 130 | 5,099 | 2,252 | 1,591 | 255 | 9,327 |
| | 2,510 | 18,987 | 8,636 | 6,526 | 852 | 37,511 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: three) individuals were as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Salaries and other benefits | 13,124 | 13,824 |
| Discretionary bonuses | 2,002 | 2,711 |
| Share options | 965 | 820 |
| Retirement benefits scheme contributions | 633 | 764 |
| | 16,724 | 18,119 |

| | 2014 Number of employees | 2013 Number of employees |
|-------------------------------|--------------------------------|--------------------------------|
| Bands: | | |
| HK\$4,500,001 – HK\$5,000,000 | – | 1 |
| HK\$5,000,001 – HK\$5,500,000 | 1 | – |
| HK\$5,500,001 – HK\$6,000,000 | 2 | 1 |
| HK\$6,000,001 – HK\$6,500,000 | – | – |
| HK\$6,500,001 – HK\$7,000,000 | – | – |
| HK\$7,000,001 – HK\$7,500,000 | – | 1 |
| | 3 | 3 |

14. DIVIDENDS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Dividends paid: | | |
| – Final dividend of HK43 cents in respect of the financial year ended 31 December 2013 (2013: HK43 cents in respect of the financial year ended 31 December 2012) per ordinary share | 275,199 | 272,684 |
| – Special final dividend of HK50 cents in respect of the financial year ended 31 December 2013 (2013: nil) per ordinary share | 320,000 | – |
| | 595,199 | 272,684 |
| – Interim dividend of HK27 cents in respect of the financial year ended 31 December 2014 (2013: HK23 cents in respect of the financial year ended 31 December 2013) per ordinary share | 177,064 | 147,033 |
| – Special interim dividend of HK\$1 in respect of the financial year ended 31 December 2013 per ordinary share | – | 639,276 |
| | 772,263 | 1,058,993 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. DIVIDENDS (continued)

On 18 June 2014, a final dividend of HK43 cents and a special dividend of HK50 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2013.

On 21 June 2013, a final dividend of HK43 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 2012.

The scrip dividend alternatives were accepted by the shareholders as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Dividends: | | |
| Cash | 179,919 | 113,129 |
| Share alternative (note 43) | 415,280 | 159,555 |
| | 595,199 | 272,684 |
| | | |
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Dividends proposed: | | |
| – Proposed final dividend of HK47 cents in respect of the financial year ended 31 December 2014 (2013: HK43 cents in respect of the financial year ended 31 December 2013) per ordinary share | 308,229 | 274,889 |
| – Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2013 per ordinary share | – | 319,638 |
| | 308,229 | 594,527 |

The proposed final dividends in respect of the financial year ended 31 December 2014 is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. EARNINGS PER SHARE

| | 2014 HK\$ | 2013 HK\$ |
|---------------------|--------------|--------------|
| Earnings per share: | | |
| Basic | 3.23 | 3.76 |
| Diluted | 3.22 | 3.32 |

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Earnings | | |
| Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company) | 2,115,101 | 2,399,472 |
| Adjustment to earnings on assumed conversion of convertible bonds in Champion REIT (note) | – | (272,939) |
| Earnings for the purpose of diluted earnings per share | 2,115,101 | 2,126,533 |

| | 2014 | 2013 |
|--|-------------|-------------|
| Number of shares | | |
| Weighted average number of shares for the purpose of basic earnings per share | 655,609,198 | 638,390,959 |
| Effect of dilutive potential shares: Share options | 565,356 | 1,274,695 |
| Weighted average number of shares for the purpose of diluted earnings per share | 656,174,554 | 639,665,654 |

Note:

The holders of the convertible bonds in Champion REIT were entitled to convert their bonds into units of Champion REIT. For accounting purpose, the adjustment has taken into account (i) the aggregate effect of interest on convertible bonds, change in fair value of derivative components of convertible bonds, and gain on conversion of convertible bonds attributable to owners of the Company and (ii) the decrease in earnings attributable to the owners of the Company due to decrease in the Group's unitholding in Champion REIT as a result of the assumed conversion of the convertible bonds at the beginning of the period. The aforesaid assumed conversion did not actually take place and the relevant convertible bonds in Champion REIT were fully redeemed in June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Plant and machinery HK\$'000 | Total HK\$'000 |
|--|------------------------------|-------------------------------|--------------------------------|--|---|--|-------------------------------|------------------------------------|-------------------|
| THE GROUP | | | | | | | | | |
| COST | | | | | | | | | |
| At 1 January 2013 | 1,379,803 | 2,349,418 | 9,671,542 | 1,231,641 | 135,114 | 1,303,049 | 3,582 | 117 | 16,074,266 |
| Exchange adjustments | (23,115) | - | (179,627) | 488 | - | (46,358) | - | 2 | (248,610) |
| Additions | 333,422 | - | 1,522,605 | 418,189 | - | 330,892 | 999 | 11 | 2,606,118 |
| Transfer in (out) | - | - | 1,484,566 | (1,650,318) | - | 165,752 | - | - | - |
| Disposals/written off | - | - | - | - | - | (16,303) | (1,038) | (1) | (17,342) |
| At 31 December 2013 | 1,690,110 | 2,349,418 | 12,499,086 | - | 135,114 | 1,737,032 | 3,543 | 129 | 18,414,432 |
| Exchange adjustments | (57,459) | - | (282,424) | - | - | (85,175) | - | (1) | (425,059) |
| Additions | - | - | 567,444 | - | - | 507,140 | 285 | - | 1,074,869 |
| Acquisition through subsidiaries | - | - | 1,901,860 | - | - | 17,907 | - | - | 1,919,767 |
| Transfer from investment properties | - | - | - | - | 244,900 | - | - | - | 244,900 |
| Transfer in (out) | - | - | 10,893 | - | - | (10,893) | - | - | - |
| Disposals/written off | - | - | - | - | - | (64,979) | (736) | - | (65,715) |
| At 31 December 2014 | 1,632,651 | 2,349,418 | 14,696,859 | - | 380,014 | 2,101,032 | 3,092 | 128 | 21,163,194 |
| DEPRECIATION AND IMPAIRMENT | | | | | | | | | |
| At 1 January 2013 | 218,876 | 778,093 | 2,960,574 | - | 25,633 | 871,862 | 3,106 | 52 | 4,858,196 |
| Exchange adjustments | 90 | - | (50,015) | - | - | (28,123) | - | 1 | (78,047) |
| Charge for the year | - | 44,764 | 216,266 | - | 5,275 | 137,122 | 292 | 20 | 403,739 |
| Impairment loss (reversed) recognised in profit or loss | (19,270) | - | (140,790) | - | - | 10,890 | - | - | (149,170) |
| Eliminated on disposals/written off | - | - | - | - | - | (9,550) | (1,038) | - | (10,588) |
| At 31 December 2013 | 199,696 | 822,857 | 2,986,035 | - | 30,908 | 982,201 | 2,360 | 73 | 5,024,130 |
| Exchange adjustments | (1,173) | - | (89,952) | - | - | (37,487) | - | (1) | (128,613) |
| Charge for the year | - | 44,764 | 262,426 | - | 17,675 | 162,480 | 397 | 21 | 487,763 |
| Eliminated on disposals/written off | - | - | - | - | - | (38,454) | (736) | - | (39,190) |
| At 31 December 2014 | 198,523 | 867,621 | 3,158,509 | - | 48,583 | 1,068,740 | 2,021 | 93 | 5,344,090 |
| CARRYING AMOUNTS | | | | | | | | | |
| At 31 December 2014 | 1,434,128 | 1,481,797 | 11,538,350 | - | 331,431 | 1,032,292 | 1,071 | 35 | 15,819,104 |
| At 31 December 2013 | 1,490,414 | 1,526,561 | 9,513,051 | - | 104,206 | 754,831 | 1,183 | 56 | 13,390,302 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK\$507,140,000 (2013: HK\$330,892,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK\$337,221,000 (2013: HK\$95,928,000), HK\$7,597,000 (2013: HK\$14,655,000) and HK\$15,943,000 (2013: HK\$49,534,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2014, the leasehold land with carrying amounts of HK\$1,463,687,000 (2013: HK\$1,508,292,000) and HK\$18,110,000 (2013: HK\$18,269,000) are situated in Hong Kong under medium-term leases and long-term leases, respectively, and are finance lease in nature. Freehold land is situated outside Hong Kong.

Owner occupied properties situated in Hong Kong are land and buildings held under long-term leases and are finance lease in nature. During the year ended 31 December 2014, investment properties with fair value of HK\$244,900,000 at the date of transfer were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation.

At 31 December 2013, the Directors conducted an impairment assessment on hotel properties, a reversal of impairment loss in the amount of HK\$149,170,000 was made for a hotel property located in the USA. The recoverable amounts of the hotel properties located in the USA at 31 December 2013 were determined higher than their carrying amounts and the carrying amount was increased to an amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The recoverable amount of the hotel properties (comprising freehold land and hotel buildings) were determined by value in use which were estimated using the future cash flows expected to arise and suitable discount rate of 10% in order to calculate the present values.

At 31 December 2014, the Directors conducted an impairment assessment on hotel properties, no further recognition or reversal of impairment loss was made during the year with impairment provided in previous years to a hotel property in the USA.

17. INVESTMENT PROPERTIES

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| FAIR VALUE | | |
| At 1 January | 68,586,519 | 63,630,210 |
| Exchange adjustments | 1,075 | 312 |
| Acquisitions of investment properties through subsidiaries | 254,852 | – |
| Acquisitions of investment properties | – | 3,726,894 |
| Additions | 64,813 | 109,842 |
| Transfer to property, plant and equipment | (244,900) | – |
| Increase in fair value recognised in the consolidated income statement | 1,204,935 | 1,119,261 |
| At 31 December | 69,867,294 | 68,586,519 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

- (a) The Group's property interests situated in Hong Kong of HK\$66,564,020,000 (2013: HK\$65,825,320,000) and in the PRC of HK\$254,852,000 (2013: nil) 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) On 11 July 2013, the Group completed the acquisition of certain properties in Citibank Tower for a consideration of HK\$2,155,302,000. Transaction costs included a stamp duty of HK\$183,201,000, acquisition fees of HK\$100,000 and other transaction costs of HK\$325,000.

In October 2013, the Group completed the acquisition of an investment property located in San Francisco for a consideration of US\$179,000,000 (equivalent to approximately HK\$1,387,966,000).

- (c) Included in the fair value of investment properties as at 31 December 2014 is HK\$69,867,294,000 (2013: HK\$68,491,799,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------------------|------------------|
| FAIR VALUE | | |
| At 1 January | 68,491,799 | 63,535,490 |
| Exchange adjustments | 1,075 | 312 |
| Acquisitions of investment properties | 254,852 | 3,726,894 |
| Additions | 64,813 | 109,534 |
| Transfer to property, plant and equipment | (244,900) | – |
| Transfers into Level 3 due to change in valuation methodology | 94,720 | – |
| Increase in fair value recognised in the consolidated income statement | 1,204,935 | 1,119,569 |
| At 31 December | 69,867,294 | 68,491,799 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

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

| | THE GROUP | |
|--------------------------------------|-------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Long leases in Hong Kong | 3,832,100 | 4,022,600 |
| Medium-term leases in Hong Kong | 62,731,920 | 61,802,720 |
| Medium-term leases outside Hong Kong | 254,852 | – |
| Freehold land outside Hong Kong | 3,048,422 | 2,761,199 |
| | 69,867,294 | 68,586,519 |

- (e) The fair value of the Group's investment properties at 31 December 2014 and 2013 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 – Knight Frank Petty Limited, Savills Valuation and Professional Services Limited

Investment properties in the PRC – Knight Frank Petty Limited

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

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value HK\$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value | |
|---|---------------------|----------------------|---|--|---|-----------|
| As at 31 December 2014 | | | | | | |
| Commercial property in Wan Chai, Hong Kong | 3,161,100 | Level 3 | Net income method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 4.30% for office and 4.75% for retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |
| Commercial properties in Central, Hong Kong | 36,332,000 | Level 3 | Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.30% for office and 4.25% for retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |
| Office and mall properties in Mongkok, Hong Kong | 26,106,000 | Level 3 | Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for both the office and retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value HK\$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value | |
|---|---------------------|----------------------|---|---|---|-----------|
| <i>As at 31 December 2014 (continued)</i> | | | | | | |
| Furnished Apartments in Hong Kong | 870,000 | Level 3 | Net income method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.50% to 4.00%. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (i) |
| Commercial properties in Shanghai, the PRC | 254,852 | Level 3 | Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.50% for the retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |
| Apartments in Hong Kong | 94,920 | Level 3 | Net income method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.75%. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value HK\$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value | |
|---|---------------------|----------------------|--|---|---|-----------|
| As at 31 December 2014 (continued) | | | | | | |
| Commercial properties in West Coast of the United States | 3,048,422 | Level 3 | Yield capitalisation method – income capitalisation approach | Discount rate, taking into account the internal rate of return, 6.50% to 9.25%. | The higher the discount rate, the lower the fair value. | Note (ii) |
| | | | The key inputs are: (i) discount rate; (ii) terminal capitalisation rate; and (iii) annual income | Termination capitalisation rate, taking into account net realisable value at the end of the holding period, of 5.50% to 8.00%. | The higher the termination capitalisation rate, the lower the fair value. | Note (ii) |
| | | | | Annual income, taking into account projected net operating income and capital expenditures. | The higher the annual income, the higher the fair value. | Note (i) |
| As at 31 December 2013 | | | | | | |
| Commercial property in Wan Chai, Hong Kong | 3,373,600 | Level 3 | Net income method | Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 4.30% for office and 4.75% for retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value HK\$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value | |
|---|---------------------|----------------------|---|--|---|-----------|
| As at 31 December 2013 (continued) | | | | | | |
| Commercial properties in Central, Hong Kong | 37,900,000 | Level 3 | Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.30% for office and 4.25% for retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |
| Office and mall properties in Mongkok, Hong Kong | 23,609,000 | Level 3 | Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% for both the office and retail. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (ii) |
| Furnished Apartments in Hong Kong | 848,000 | Level 3 | Net income method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot | Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.50% to 4.00%. | The higher the capitalisation rate, the lower the fair value. | Note (i) |
| | | | | Market rent, taking into account direct market comparables within the property. | The higher the market rent, the higher the fair value. | Note (i) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value HK\$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value | |
|---|---------------------|----------------------|--|--|---|-----------|
| As at 31 December 2013 (continued) | | | | | | |
| Apartments in Hong Kong | 94,720 | Level 2 | Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property. | N/A | N/A | |
| Commercial properties in West Coast of the United States | 2,761,199 | Level 3 | Yield capitalisation method – income capitalisation approach The key inputs are: (i) discount rate; (ii) terminal capitalisation rate; and (iii) annual income | Discount rate, taking into account the internal rate of return, 7.25% to 9.25%. | The higher the discount rate, the lower the fair value. | Note (ii) |
| | | | | Termination capitalisation rate, taking into account net realisable value at the end of the holding period, of 6.00% to 7.50%. | The higher the termination capitalisation rate, the lower the fair value. | Note (ii) |
| | | | | Annual income, taking into account projected net operating income and capital expenditures. | The higher the annual income, the higher the fair value. | Note (i) |

Notes:

- (i) A significant change in the unobservable inputs would result in a significant higher or lower fair value measurement.
- (ii) There is no indication that any slight change in the unobservable input would result in a significant higher or lower fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENT IN A SUBSIDIARY

| | THE COMPANY | |
|---------------------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Unlisted shares, at deemed cost | 2,079,992 | 1,836,909 |

Particulars regarding the principal subsidiaries are set out in note 49.

19. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2014, purchase deposit of RMB96,500,000 (equivalent to HK\$121,185,000) was paid for the acquisition of a hotel development project in Minhang District, Shanghai, the PRC.

20. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Cost of investment in associates: | | |
| Unlisted associates in Hong Kong (note a) | 109 | 12 |
| Unlisted associate in the PRC (note b) | – | 189,198 |
| Listed associates in Hong Kong | 2,596 | 2,596 |
| Share of post-acquisition profit and other comprehensive income, net of dividend received (note c) | 75,607 | 43,760 |
| | 78,312 | 235,566 |
| Amounts due from associates (note d) | 12,054 | 156,373 |
| | 90,366 | 391,939 |
| Fair value of listed associates, based on market share price | 102,611 | 184,574 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (continued)

Notes:

- (a) In July 2014, the Group simultaneously entered into a shareholder's agreement, memorandum of the agreement and subscription agreement in respect of the purchase of 12,500 shares of Class B of Redwood Peak Partners, an exempted company incorporated in Cayman Islands, for a total consideration of US\$12,500 (equivalent to approximately HK\$97,000) from a close family member of a Director of the Company.
- (b) The Group acquired one-third of the entire issued share capital of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited ("SOI") for a consideration of US\$24,118,000 (equivalent to HK\$188,120,000) in August 2010. In September 2011, MGIL's two-thirds of the entire share capital was acquired by a wholly owned subsidiary of Shui On Land Limited ("SOL").

In December 2014, the Group acquired the remaining two-thirds of the entire share capital of MGIL from SOL for a consideration of HK\$626,540,000 (see note 38 for details).

Both SOI and SOL are related companies in which a Director of the Company who is also a close family member of the chairman and managing director of the Group has controlling interest.

MGIL indirectly holds a hotel property in the Luwan District, Shanghai and the Group provides hotel management and related services to MGIL (see note 47).

- (c) During the year ended 31 December 2014, an associate had distributed dividend in the form of investment shares which were held by the associate. The Group recognised such shares amounting to HK\$29,776,000 (2013: nil) as an available-for-sale investment.
- (d) Amounts due from associates were unsecured, interest-free and have no fixed repayment terms. 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 exists 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 impairment was identified. Accordingly, no impairment loss is recognised.

At the end of the reporting period, fair values of listed associates are determined on the number of shares held by the Group and by reference to the closing prices of an active market.

Particulars regarding the associates are set out in note 50.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Cinderella Media Group Limited | | |
| Current assets | 226,020 | 989,896 |
| Non-current assets | 40,061 | 293,673 |
| Current liabilities | (83,300) | (359,244) |
| Non-current liabilities | (3,255) | (17,391) |
| Revenue | 476,149 | 556,152 |
| Profit for the year | | |
| attributable to owners | 78,913 | 125,399 |
| attributable to non-controlling interests | 15,722 | 47,895 |
| | 94,635 | 173,294 |
| Other comprehensive (expense) income for the year | | |
| attributable to owners | (2,150) | 4,640 |
| attributable to non-controlling interests | (91) | 1,681 |
| | (2,241) | 6,321 |

Reconciliation of the above summarised financial information to the carrying amounts of the interest in the associate recognised in the consolidated financial statements:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Net assets of Cinderella Media Group Limited attributable to owners | 179,526 | 644,150 |
| Proportion of the Group's ownership interest in Cinderella Media Group Limited | 18.75% | 18.82% |
| Group's share of net assets in Cinderella Media Group Limited | 33,661 | 121,229 |
| Others | (8,770) | (8,868) |
| Carrying amount of the Group's interest in Cinderella Media Group Limited | 24,891 | 112,361 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (continued)

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Magic Garden Investments Limited | | |
| Current assets | – | 21,755 |
| Non-current assets | – | 2,014,603 |
| Current liabilities | – | (238,526) |
| Non-current liabilities | – | (1,006,657) |
| Revenue | 297,767 | 282,849 |
| Fair value changes on investment properties | 3,195 | 3,663 |
| Loss for the year | (74,666) | (100,379) |
| Other comprehensive expense for the year | – | (23,098) |

Note: No assets and liabilities have been disclosed as MGIL as at 31 December 2014 is a subsidiary of the Company. The results of Magic Garden Investments Limited disclosed in the year ended 31 December 2014 represent the share of results from 1 January 2014 to 11 December 2014.

Reconciliation of the above summarised financial information to the carrying amounts of the interest in the associate as at 31 December 2013 recognised in the consolidated financial statements:

| | 2013 HK\$'000 |
|--|------------------|
| Net assets of Magic Garden Investments Limited | 791,175 |
| Proportion of the Group's ownership interest in Magic Garden Investments Limited | 33.33% |
| Deemed capital contribution | 1,881 |
| Carrying amount of the Group's interest in Magic Garden Investments Limited | 265,606 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| The Group's share of profit for the year | 354 | 346 |
| The Group's share of other comprehensive income | 8,001 | – |
| The Group's share of total comprehensive income | 8,355 | 346 |
| Dividends received from associates during the year | 5,358 | – |
| Aggregate carrying amount of the Group's interests in these associates | 65,475 | 13,972 |

21. INVESTMENT IN A JOINT VENTURE

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Cost of investment in a joint venture | 632,612 | 632,612 |
| Share of post-acquisition results and other comprehensive income | (53,064) | (1,912) |
| | 579,548 | 630,700 |

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly owned subsidiary of the Company and an independent third party investor (the "Investor") in February 2010, the financial and operating policies of Wealth Joy Holdings Limited ("Wealth Joy") that significantly affect the return of Wealth Joy, require unanimous consent from the Group and the Investor, accordingly Wealth Joy is accounted for as a joint arrangement. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Wealth Joy, the Group has accounted for Wealth Joy as a joint venture.

Wealth Joy and its subsidiaries are principally engaged in developing a parcel of land in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, the PRC.

The Group's interest in the joint venture amounting to HK\$579,548,000 as at 31 December 2014 (2013: HK\$630,700,000) are accounted for using the equity method in these consolidated financial statements.

Particulars regarding the joint venture are set out in note 51.

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21. INVESTMENT IN A JOINT VENTURE (continued)

The summarised financial information in respect of the Group's interest in the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

Wealth Joy Holdings Limited

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Current assets | 2,637,741 | 2,270,673 |
| Non-current assets | 6,848 | 9,652 |
| Current liabilities | (525,161) | (254,905) |
| Non-current liability | (960,331) | (764,020) |
| The above amounts of assets and liabilities include the following: | | |
| Cash and cash equivalents | 148,182 | 133,274 |
| Current financial liabilities (excluding trade and other payables and provisions) | (308,796) | (106,628) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | (960,331) | (764,020) |
| Income recognised in profit or loss | 529 | 246 |
| Expenses recognised in profit or loss | (73,276) | (73,608) |
| Other comprehensive (expense) income for the year | (29,556) | 37,342 |
| The above loss for the year includes the following: | | |
| Depreciation and amortisation | (2,934) | (1,348) |
| Interest income | 296 | 46 |
| Interest expense | – | – |
| Income tax expense | – | – |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Net assets of Wealth Joy | 1,159,097 | 1,261,400 |
| Proportion of the Group's ownership interest in Wealth Joy | 50% | 50% |
| Carrying amount of the Group's interest in Wealth Joy | 579,548 | 630,700 |

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For the year ended 31 December 2014

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Listed equity securities in Hong Kong | 464,654 | 639,659 |
| Listed equity securities outside Hong Kong | 100,530 | 390,594 |
| Listed debt securities outside Hong Kong | 73,682 | 75,439 |
| Unlisted equity securities in Hong Kong | 246 | 246 |
| Unlisted equity securities outside Hong Kong | 968,176 | 53,203 |
| | 1,607,288 | 1,159,141 |
| Market value of listed securities | 638,866 | 1,105,692 |

At the end of the reporting period, all the listed equity and debt 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. An aggregate amount of unlisted equity securities of HK\$556,465,000 (2013: nil) are measured at fair values. The remaining amount of unlisted equity securities and club debentures of HK\$411,957,000 (2013: HK\$53,449,000) 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.

During the year, the Group had deemed disposal of an unlisted investment of HK\$14,811,000 with the receipt of capital return from two unlisted equity investments, which had been carried at cost less impairment before the disposal.

Included in unlisted equity investments, which is carried at cost less impairment, is the Group's investment in an investor of China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund L.P., namely China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund Limited Partner ("China Fund LP"), an exempted company incorporated with limited liability in the Cayman Islands. At 31 December 2014, the Group had invested HK\$155,096,000 (2013: nil), which represents 40% equity interests in China Fund LP. China Fund LP is not regarded as an associate of the Group because the Group is unable to exercise significant influence under arrangements with other investors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. DERIVATIVE FINANCIAL INSTRUMENTS

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Foreign currency derivative contracts – (liabilities) assets | (495) | 814 |
| Less: Amounts due within one year shown under current assets | 343 | (771) |
| Amounts due after one year | (152) | 43 |

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 (2013: 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 Euro610,000 (equivalent to HK\$6,264,000) (2013: Euro1,998,000 (equivalent to HK\$20,558,000)). The derivative contracts will be fully expired by 2016 (2013: 2015).

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

24. NOTES RECEIVABLE

| | THE GROUP | |
|--|----------------------|--------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Unsecured bonds | 156,353 | 175,970 |
| Medium term notes | 18,752 | 19,209 |
| Less: Amounts due within one year shown under current assets | 175,105 (124,635) | 195,179 (8,875) |
| Amounts due after one year | 50,470 | 186,304 |

At 31 December 2014, the Group held unsecured bonds and medium term notes with principal amounts of HK\$156,353,000 and HK\$18,752,000 (2013: HK\$175,970,000 and HK\$19,209,000), respectively, issued by reputable financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. NOTES RECEIVABLE (continued)

The unsecured bonds issued by reputable financial institutions are detailed as follows:

- (i) carrying amount of HK\$29,529,000 (2013: HK\$37,177,000) is denominated in US\$ with nominal values ranging from US\$1,000,000 to US\$2,000,000 (2013: US\$900,000 to US\$2,000,000), bears interest at fixed interest rates ranging from 2.63% to 3.25% (2013: 2.63% to 9.50%) per annum and has maturity dates ranging from January 2018 to April 2018 (2013: April 2016 to April 2018); and
- (ii) carrying amount of HK\$126,824,000 (2013: HK\$138,793,000) is denominated in RMB with nominal values ranging from RMB2,000,000 to RMB10,000,000 (2013: RMB2,000,000 to RMB10,000,000), bears interests at either variable interest rate of 3-months Shanghai Interbank Offered Rate less 0.6% or fixed interest rates ranging from 2.25% to 8.50% (2013: variable interest rate of 3-months Shanghai Interbank Offered Rate less 0.6% or fixed interest rates ranging from 2.075% to 8.50%) per annum and has maturity dates ranging from June 2014 to June 2016 (2013: June 2014 to June 2016).

The medium term notes issued by reputable financial institution are denominated in RMB with an aggregate nominal value of RMB15,000,000 (2013: RMB15,000,000). The medium term notes bear interest at 3.25% (2013: 3.25%) per annum and will mature in June 2015 (2013: June 2015).

25. PROPERTY UNDER DEVELOPMENT

The Group acquired a residential site in Pak Shek Kok, Tai Po at the land premium of HK\$2,412,000,000. The site will be used for the development of luxury residential properties for sale.

The property under development is expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

26. INVENTORIES

| | THE GROUP | |
|------------------------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Completed properties held for sale | 42 | 42 |
| Raw materials | 9,919 | 9,674 |
| Trading goods | 2,361 | 3,346 |
| Provisions and beverages | 56,628 | 47,450 |
| Work-in-progress | 86,415 | 45,978 |
| | 155,365 | 106,490 |

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For the year ended 31 December 2014

27. DEBTORS, DEPOSITS AND PREPAYMENTS

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Trade debtors, net of allowance for doubtful debts | 316,825 | 301,250 |
| Deferred rent receivables | 121,326 | 101,931 |
| Other receivables | 40,873 | 74,029 |
| Deposits and prepayments | 166,635 | 127,033 |
| | 645,659 | 604,243 |

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.

Deposits and prepayments mainly consist of deposits paid to contractors for hotels renovation and prepaid expenses for hotel operations.

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------|------------------|------------------|
| 0–3 months | 210,340 | 226,481 |
| 3–6 months | 15,482 | 14,740 |
| Over 6 months | 91,003 | 60,029 |
| | 316,825 | 301,250 |

Trade debtors as at 31 December 2014 and 2013 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\$106,485,000 (2013: HK\$74,769,000) 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.

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For the year ended 31 December 2014

27. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Aging of trade debtors balance past due but not impaired

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------|------------------|------------------|
| 3–6 months | 15,482 | 14,740 |
| Over 6 months | 91,003 | 60,029 |
| Total | 106,485 | 74,769 |

Movement in the allowance for doubtful debts

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| At 1 January | 21,998 | 21,007 |
| Increase in allowance recognised in profit or loss | 330 | 991 |
| At 31 December | 22,328 | 21,998 |

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. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Equity linked notes designated at FVTPL | 169,512 | 1,095,944 |
| Currency linked notes designated at FVTPL | – | 755,280 |
| Credit linked note designated at FVTPL | 80,000 | – |
| | 249,512 | 1,851,224 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

At the end of the reporting period, the Group had entered into equity linked notes with banks and are detailed as follows:

- (i) US\$ equity linked notes with nominal values ranging from US\$500,000 to US\$2,000,000 (2013: US\$500,000 to US\$5,000,000) have maturity periods ranging from five months to twelve months (2013: three months to twelve months). Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.
- (ii) HK\$ equity linked notes with nominal values ranging from HK\$5,000,000 to HK\$15,000,000 (2013: HK\$3,000,000 to HK\$30,000,000) have maturity periods ranging from three months to six months (2013: three months to seven months). Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

The Group also entered into a credit linked note with nominal value of HK\$80,000,000. The credit linked note bears interest at 3-months HIBOR plus 3.50% and will mature in April 2015 or the existence of a credit risk event, whichever the later.

During the year ended 31 December 2013, the Group entered into currency linked notes with banks and are detailed as follows:

- (i) Semi-annual coupon linked to US\$/Offshore RMB notes with nominal values of RMB118,750,000 where the exchange rate was the spot rate of exchange between offshore RMB and US\$ and the Group was entitled to receive fixed coupon subject to certain terms and conditions as stipulated in the agreement; and
- (ii) Structured deposits linked to US\$/RMB with nominal values of RMB106,000,000 and subject to the strike price of 6.161.

29. SHORT TERM LOAN RECEIVABLE

Short term loan receivable from a third party of US\$8,650,000 (equivalent to approximately HK\$67,096,000) (2013: US\$8,650,000) (equivalent to approximately HK\$67,072,000) was unsecured, bore interest at 20% per annum and repayable on 11 March 2014. During the year, the short term loan receivable was used to contribute as capital injection to an investee classified as an available-for-sale investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. RESTRICTED CASH, BANK BALANCES AND CASH

THE GROUP**Restricted cash**

Restricted cash represent the following:

- (i) an amount equivalent to HK\$235,037,000 (2013: HK\$13,048,000) was placed in designated bank account pursuant to applicable loan facilities requirements;
- (ii) an amount equivalent to HK\$15,514,000 (2013: nil) was placed as security deposit for acquisition of a development project in San Francisco, the USA; and
- (iii) RMB deposit with equivalent amount of HK\$847,357,000 (2013: nil) was pledged as security for short-term loan facilities.

During the year ended 31 December 2013, the Group held in escrow a purchase deposit US\$15 million (equivalent to approximately HK\$116,265,000) which was pending for completion of the acquisition of a hotel property in New York, the USA. The acquisition was completed on 25 September 2013 and the purchase deposit was transferred to property, plant and equipment.

Bank balances and cash

Included in bank balances and cash as at 31 December 2014, were HK\$3,471,991,000 (2013: nil) of time deposits with original maturity over three months. The remaining bank deposits were with original maturity of three months or less. The time deposits carry interest at market rates which range from 0.01% to 5.04% (2013: 0.001% to 4%) per annum.

31. AMOUNT DUE FROM A SUBSIDIARY

THE COMPANY

As at 31 December 2014, amount due from a subsidiary of HK\$633,713,000 (2013: HK\$2,247,427,000) is unsecured, interest-free and repayable on demand. At 31 December 2014, the Company would not demand repayment from the subsidiary for amount of HK\$20,256,917,000 (2013: HK\$18,735,825,000) within the next twelve months from the end of the reporting period and therefore, classified such balance as a non-current asset.

32. CREDITORS, DEPOSITS AND ACCRUALS

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Trade creditors | 219,163 | 191,674 |
| Deposits received | 803,544 | 708,124 |
| Construction fee payable and retention money payable | 41,606 | 11,844 |
| Accruals, interest payable and other payables | 2,048,679 | 2,022,265 |
| | 3,112,992 | 2,933,907 |

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32. CREDITORS, DEPOSITS AND ACCRUALS (continued)

Included in accruals and other payables is accrual of stamp duty of HK\$963,475,000 (2013: HK\$963,475,000) which is based on the current applicable stamp duty rate of 4.25% (2013: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing and an accrual for stamp duty of HK\$91,600,000 in regards to the acquisition of certain properties in Citibank Plaza during the year ended 31 December 2013.

Apart from the above, accruals and other payables mainly consist of accrued renovation and operating expenses for the hotels.

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------|------------------|------------------|
| 0–3 months | 165,268 | 179,568 |
| 3–6 months | 24,682 | 1,295 |
| Over 6 months | 29,213 | 10,811 |
| | 219,163 | 191,674 |

33. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Non-current asset | | |
| Cash flow hedge – cross currency swaps | 3,974 | – |
| Non-current liability | | |
| Cash flow hedge – cross currency swaps | – | 41,833 |

The Group entered cross currency swaps with The Hongkong and Shanghai Banking Corporation Limited to minimise the exposure to fluctuations in foreign currency and interest rate of the medium term note as described in note 36, which is denominated in US\$, in respect of the principal and fixed rate interest payments.

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33. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

(continued)

The cross currency swaps and the corresponding medium term note have similar terms and the Directors considered that the cross currency swaps were highly effective hedging instruments.

Major terms of the cross currency swaps are set out below:

| Notional amount | Maturity | Exchange rate | Interest rate | Interest period | Total hedged item |
|-----------------|-----------------|-------------------|---------------|-----------------|--|
| US\$200,000,000 | 17 January 2023 | HK\$7.7598: US\$1 | 3.75% | Semi-annually | Medium term note principal and coupon payments |
| US\$100,000,000 | 17 January 2023 | HK\$7.76: US\$1 | 3.75% | Semi-annually | Medium term note principal and coupon payments |
| US\$50,000,000 | 17 January 2023 | HK\$7.7613: US\$1 | 3.75% | Semi-annually | Medium term note principal and coupon payments |
| US\$50,000,000 | 17 January 2023 | HK\$7.7541: US\$1 | 3.75% | Quarterly | Medium term note principal and coupon payments |

The fair value of the above derivatives is based on the valuation provided by the counterparty financial institution.

During the year, the gain on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK\$48,888,000 (2013: loss on changes of HK\$41,833,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK\$4,214,000 (2013: HK\$3,081,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon payment.

34. BORROWINGS

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Bank loans and revolving loans (secured) | 22,557,422 | 20,912,276 |
| Other non-current loans (secured) | 2,440,346 | 2,570,107 |
| | 24,997,768 | 23,482,383 |
| Loan front-end fee | (155,560) | (158,318) |
| | 24,842,208 | 23,324,065 |

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34. BORROWINGS (continued)

The maturity of the above loans based on scheduled repayment terms is as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------------------|------------------|
| Within one year | 3,230,655 | 7,042,379 |
| More than one year but not exceeding two years | 9,454,544 | 2,982,800 |
| More than two years but not exceeding five years | 11,757,812 | 13,298,886 |
| More than five years | 399,197 | – |
| | 24,842,208 | 23,324,065 |
| Less: Amounts due within one year shown under current liabilities | (3,230,655) | (7,042,379) |
| Amounts due after one year | 21,611,553 | 16,281,686 |

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Within one year | 604,930 | 18,855 |
| More than one year but not exceeding two years | 372,148 | 706,650 |
| More than two years but not exceeding three years | – | 372,540 |
| | 977,078 | 1,098,045 |

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------------------|------------------|
| Within one year | 2,625,725 | 7,023,524 |
| More than one year but not exceeding two years | 9,082,396 | 2,276,150 |
| More than two years but not exceeding three years | 4,781,367 | 8,933,764 |
| More than three years but not exceeding four years | 3,073,332 | 1,055,311 |
| More than four years but not exceeding five years | 3,903,114 | 2,937,271 |
| More than five years | 399,196 | – |
| | 23,865,130 | 22,226,020 |

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34. BORROWINGS (continued)

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

| | 2014 | 2013 |
|--------------------------|-----------------------|----------------|
| Effective interest rate: | | |
| Fixed-rate borrowings | 3.84% to 6.09% | 3.84% to 6.09% |
| Variable-rate borrowings | 0.84% to 7.53% | 0.88% to 4.91% |

35. CONVERTIBLE BONDS

On 3 June 2008, the Group, through a subsidiary Fair Vantage Limited ("Bonds Issuer") issued HK\$4,680,000,000 1% guaranteed convertible bonds due June 2013 ("Bonds").

During the year ended 31 December 2013, an aggregate principal amount of HK\$322,940,000 of the Bonds was converted at a conversion price of HK\$3.34 per unit, which came into effect since 21 May 2013 as a result of Excess Distribution (as defined in the terms and conditions of the Bonds) adjustment. The Bonds Issuer settled the conversions by (a) cash payment of HK\$322,940,000 and (b) the issuance of 12,395,029 units of Champion REIT and resulted in a gain of HK\$29,302,000 which was recognised in the profit or loss. Upon the conversion, the Group's ownership interest in Champion REIT decreased from 57.97% to 57.85%.

On 3 June 2013, the bonds maturity date, the Bonds Issuer redeemed the then outstanding principal of HK\$1,941,650,000 at the redemption price of 123.94% by an aggregate amount of HK\$2,406,481,000. After the redemption, certain investment properties together with the assignment of insurance proceeds which have been granted and mortgaged in favour of the bond holders were released and discharged.

The Bonds contained liability component stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component was 6.375% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. CONVERTIBLE BONDS (continued)

The movement of the liability and derivative components of the Bonds for the year ended 31 December 2013 is set out as below:

| | THE GROUP HK\$'000 |
|--------------------------------|-----------------------|
| Liability component | |
| At 1 January 2013 | 2,742,781 |
| Interest charged | 71,136 |
| Interest paid | (7,950) |
| Conversion during the year | (399,486) |
| Redemption during the year | (2,406,481) |
| At 31 December 2013 | – |
| Derivative components | |
| At 1 January 2013 | 308,563 |
| Change in fair value | (308,236) |
| Conversion during the year | (327) |
| At 31 December 2013 | – |
| Total convertible bonds | – |

36. MEDIUM TERM NOTE

| | THE GROUP | |
|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Medium term note | 3,102,720 | 3,101,600 |
| Origination fees | (32,718) | (36,106) |
| | 3,070,002 | 3,065,494 |

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term notes programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by HSBC Institutional Trust Services (Asia) Limited, the trustee of Champion REIT, in its capacity as trustee. On 17 January 2013, the Group issued US\$400,000,000. The issued medium term note bears interest at a fixed rate of 3.75% per annum and is repayable in full on 17 January 2023. The foreign currency rate and interest rate are hedged by the use of cross currency swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. DEFERRED TAXATION

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

| | Investment properties and property, plant and equipment HK\$'000 | Tax losses HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--|------------------------|--------------------|-------------------|
| THE GROUP | | | | |
| At 1 January 2013 | 1,051,966 | (297,441) | 33,227 | 787,752 |
| Exchange differences | (9,464) | 756 | 11 | (8,697) |
| Charge (credit) to profit or loss for the year | 167,503 | 25,855 | (15,003) | 178,355 |
| Effect of change in tax rate | (4,768) | 425 | – | (4,343) |
| At 31 December 2013 | 1,205,237 | (270,405) | 18,235 | 953,067 |
| Exchange differences | (14,729) | 768 | 6 | (13,955) |
| Acquisition through subsidiaries | 82,546 | – | – | 82,546 |
| Charge to profit or loss for the year | 136,683 | 21,036 | 11,443 | 169,162 |
| Effect of change in tax rate | (8,077) | – | – | (8,077) |
| At 31 December 2014 | 1,401,660 | (248,601) | 29,684 | 1,182,743 |

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\$2,712,283,000 (2013: HK\$2,936,544,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$831,166,000 (2013: HK\$1,159,229,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,881,117,000 (2013: HK\$1,777,315,000) 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\$626,434,000 (2013: HK\$626,434,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK\$626,434,000 (2013: HK\$626,434,000) 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\$1,322,000,000 (2013: HK\$1,216,000,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. ACQUISITION OF BUSINESSES

In July 2014, the Group acquired the business of hotel operations in respect of a hotel located in Washington D.C., the USA with a cash consideration of US\$71,625,000. Pursuant to the acquisition, the hotel has been renamed to Twelve & K Hotel.

| | Hotel in Washington HK\$'000 |
|---|------------------------------------|
| Purchase consideration | 555,580 |
| Acquiree's fair value of hotel property | (555,580) |
| | – |

In December 2014, the Group entered into a sale and purchase agreement with China Xintiandi Investment Company Limited, a wholly owned subsidiary of SOL, to acquire the shares of MGIL. Such acquisition of shares of MGIL represented the acquisition of the remaining two-thirds of the entire share capital of MGIL, resulting in the Group holding 100% equity interests in MGIL.

The net assets acquired at the date of acquisition of MGIL were as follows:

| | Carrying amounts HK\$'000 | Fair value adjustments HK\$'000 | Provisional fair value HK\$'000 |
|---|---------------------------------|---------------------------------------|---------------------------------------|
| Net assets acquired: | | | |
| Investment properties | 254,852 | – | 254,852 |
| Property, plant and equipment | 1,596,587 | 323,180 | 1,919,767 |
| Inventories | 3,361 | – | 3,361 |
| Debtors, deposits and prepayments | 16,553 | – | 16,553 |
| Restricted bank deposits | 214,633 | – | 214,633 |
| Bank balances | 7,036 | – | 7,036 |
| Borrowings | (1,270,707) | – | (1,270,707) |
| Creditors, deposits and accruals | (121,754) | – | (121,754) |
| Deferred taxation | (1,751) | (80,795) | (82,546) |
| | | | 941,195 |
| Consideration transferred | | | 626,540 |
| Add: Fair value of interests in associate transferred | | | 314,655 |
| Less: Provisional fair value of identifiable net assets acquired | | | (941,195) |
| | | | – |
| Net cash outflow on acquisition: | | | |
| Cash consideration paid | | | (626,540) |
| Bank balances acquired | | | 7,036 |
| | | | (619,504) |

At the acquisition date, the Group's 33.33% equity interest in MGIL was remeasured at fair value taking into account the proportionate share of the fair value of identifiable net assets acquired. The excess of the fair value of HK\$314,655,000 over the carrying amount of the interests in an associate of HK\$104,121,000 and amount due from MGIL of HK\$144,296,000 amounted to HK\$66,238,000 and is recognised as gain on deemed disposal of an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. SHARE CAPITAL

| | 2014 | | 2013 | |
|--|-----------------------|------------------------|-----------------------|------------------------|
| | 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 | 639,276 | 319,638 | 631,399 | 315,700 |
| Issued upon exercise of share options under the share option schemes | 825 | 413 | 2,897 | 1,448 |
| Issued as scrip dividends | 15,706 | 7,853 | 4,980 | 2,490 |
| Balance carried forward | 655,807 | 327,904 | 639,276 | 319,638 |

During the year ended 31 December 2014, 15,706,487 (2013: 4,979,854) shares of HK\$0.50 each in the Company were issued at HK\$26.44 (2013: HK\$32.04) per share as scrip dividends.

40. 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 2013 | 3,972,206 | 3,054 | 424,627 | 45,795 | 18,684,588 | 23,130,270 |
| Shares issued at premium | 242,469 | – | – | (21,130) | – | 221,339 |
| Share issue expenses | (121) | – | – | – | – | (121) |
| Recognition of equity-settled share based payments | – | – | – | 15,042 | – | 15,042 |
| Profit and total comprehensive income for the year | – | – | – | – | 192,579 | 192,579 |
| Dividend paid | – | – | – | – | (1,058,993) | (1,058,993) |
| At 31 December 2013 | 4,214,554 | 3,054 | 424,627 | 39,707 | 17,818,174 | 22,500,116 |
| Shares issued at premium | 428,515 | – | – | (4,457) | – | 424,058 |
| Share issue expenses | (99) | – | – | – | – | (99) |
| Recognition of equity-settled share based payments | – | – | – | 18,701 | – | 18,701 |
| Profit and total comprehensive income for the year | – | – | – | – | 472,141 | 472,141 |
| Dividend paid | – | – | – | – | (772,263) | (772,263) |
| At 31 December 2014 | 4,642,970 | 3,054 | 424,627 | 53,951 | 17,518,052 | 22,642,654 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE OPTIONS

In accordance with a share option scheme of Great Eagle Holdings Limited (formerly Executive 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 "1999 Share Option Scheme"), 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 of Directors 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 as shall 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE OPTIONS (continued)**Further details of the 1999 Share Option Scheme (continued)**

- 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 highest 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.

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 of Directors 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 as shall 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE OPTIONS (continued)

Further details of the 2009 Share Option Scheme (continued)

- g. The subscription price shall be determined by the Board of Directors 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.

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

| In 2014 Year of grant of options | Number of shares | | | |
|-------------------------------------|---------------------------------------|-------------------|----------------|---|
| | Outstanding options at 1 January 2014 | Options exercised | Options lapsed | Outstanding options at 31 December 2014 |
| 2009 | 218,000 | (170,000) | (48,000) | – |
| Exercisable at end of the year | | | | – |
| Weighted average exercise price | HK\$9.34 | HK\$9.34 | HK\$9.34 | – |

| In 2013 Year of grant of options | Number of shares | | | |
|-------------------------------------|---------------------------------------|-------------------|----------------|---|
| | Outstanding options at 1 January 2013 | Options exercised | Options lapsed | Outstanding options at 31 December 2013 |
| 2009 | 501,000 | (283,000) | – | 218,000 |
| Exercisable at end of the year | | | | 218,000 |
| Weighted average exercise price | HK\$9.34 | HK\$9.34 | – | HK\$9.34 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE OPTIONS (continued)

2009 Share Option Scheme

| In 2014 Year of grant of options | Number of shares | | | | Outstanding options at 31 December 2014 |
|-------------------------------------|---|-----------------|-------------------|----------------|---|
| | Outstanding options at 1 January 2014 | Options granted | Options exercised | Options lapsed | |
| 2010 | 864,500 | – | (79,500) | (22,000) | 763,000 |
| 2011 | 1,621,000 | – | (102,000) | (41,000) | 1,478,000 |
| 2012 | 2,921,000 | – | (473,000) | (41,000) | 2,407,000 |
| 2013 | 3,166,000 | – | – | (150,000) | 3,016,000 |
| 2014 | – | 3,837,000 | – | (72,000) | 3,765,000 |
| | 8,572,500 | 3,837,000 | (654,500) | (326,000) | 11,429,000 |
| Exercisable at end of the year | | | | | 4,648,000 |
| Weighted average exercise price | HK\$26.77 | HK\$26.17 | HK\$23.62 | HK\$27.97 | HK\$26.71 |

| In 2013 Year of grant of options | Number of shares | | | | Outstanding options at 31 December 2013 |
|-------------------------------------|---|-----------------|-------------------|----------------|---|
| | Outstanding options at 1 January 2013 | Options granted | Options exercised | Options lapsed | |
| 2010 | 2,446,000 | – | (1,581,500) | – | 864,500 |
| 2011 | 2,728,000 | – | (1,032,000) | (75,000) | 1,621,000 |
| 2012 | 3,075,000 | – | – | (154,000) | 2,921,000 |
| 2013 | – | 3,353,000 | – | (187,000) | 3,166,000 |
| | 8,249,000 | 3,353,000 | (2,613,500) | (416,000) | 8,572,500 |
| Exercisable at end of the year | | | | | 2,485,500 |
| Weighted average exercise price | HK\$24.07 | HK\$31.45 | HK\$24.13 | HK\$27.45 | HK\$26.77 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. 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 2014 Year of grant of options | Number of shares | | | Outstanding options at 31 December 2014 |
|-------------------------------------|---------------------------------------|-----------------|-------------------|---|
| | Outstanding options at 1 January 2014 | Options granted | Options exercised | |
| 2009 | 125,000 | – | (125,000) | – |

| In 2013 Year of grant of options | Number of shares | | | Outstanding options at 31 December 2013 |
|-------------------------------------|---------------------------------------|-----------------|-------------------|---|
| | Outstanding options at 1 January 2013 | Options granted | Options exercised | |
| 2009 | 250,000 | – | (125,000) | 125,000 |

2009 Share Option Scheme

| In 2014 Year of grant of options | Number of shares | | | Outstanding options at 31 December 2014 |
|-------------------------------------|---------------------------------------|-----------------|-------------------|---|
| | Outstanding options at 1 January 2014 | Options granted | Options exercised | |
| 2010–2014 | 3,533,000 | 1,230,000 | – | 4,763,000 |

| In 2013 Year of grant of options | Number of shares | | | Outstanding options at 31 December 2013 |
|-------------------------------------|---------------------------------------|-----------------|-------------------|---|
| | Outstanding options at 1 January 2013 | Options granted | Options exercised | |
| 2010–2013 | 3,645,000 | 1,230,000 | (1,342,000) | 3,533,000 |

The weighted average price of the shares on the date the options were exercised was HK\$26.50 and HK\$28.00 (2013: HK\$32.00 and HK\$32.83) under the 1999 Share Option Scheme and 2009 Share Option Scheme, respectively, for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. 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 | | | |
| 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 |
| 2012 | 8.3.2012 | 9.3.2014–8.3.2017 | 23.20 |
| 2013 | 6.6.2013 | 7.6.2015–6.6.2018 | 31.45 |
| 2014 | 27.2.2014 | 28.2.2016–27.2.2019 | 26.05 |
| 2014 | 17.3.2014 | 18.3.2016–17.3.2019 | 27.55 |

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 7 January 2009, 3 March 2010, 4 March 2011, 7 March 2012, 5 June 2013, 26 February 2014 and 16 March 2014 being the business date immediately before the date on which share options were granted, were HK\$9.45, HK\$23.00, HK\$26.10, HK\$21.90, HK\$31.40, HK\$25.40 and HK\$27.00, 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: | 17.3.2014 | 27.2.2014 | 6.6.2013 | 8.3.2012 | 7.3.2011 | 4.3.2010 | 8.1.2009 |
| Exercise price: | HK\$27.55 | HK\$26.05 | HK\$31.45 | HK\$23.20 | HK\$26.18 | HK\$22.80 | HK\$9.34 |
| Expected volatility (note a): | 27.69% | 27.76% | 30.27% | 33.32% | 31.90% | 48.98% | 52.48% |
| Expected dividend yield (note b): | 2.70% | 2.89% | 2.35% | 2.79% | 2.28% | 2.46% | 5.75% |
| Expected life from grant date: | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years |
| Risk free interest rate (note c): | 1.74% | 1.71% | 0.72% | 0.50% | 1.88% | 1.65% | 1.31% |
| Fair value per option: | HK\$5.46 | HK\$5.06 | HK\$6.98 | HK\$5.44 | HK\$6.57 | HK\$8.51 | HK\$3.16 |

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\$18,701,000 for the year ended 31 December 2014 (2013: HK\$15,042,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. 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 Administrative 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, subject to minimum and maximum relevant income levels.

Forfeited contributions to retirement schemes for the year ended 31 December 2014 amounting to HK\$408,000 (2013: HK\$650,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2014 charged to the consolidated income statement amounted to HK\$62,683,000 (2013: HK\$59,485,000). As at 31 December 2014, contributions of HK\$1,145,000 (2013: HK\$1,072,000) due in respect of the year had not been paid over to the schemes.

43. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 31 December 2014, 15,706,487 (2013: 4,979,854) shares of HK\$0.50 each in the Company were issued at HK\$26.44 (2013: HK\$32.04) per share as scrip dividends.
- (ii) During the year ended 31 December 2014, short term loan receivable of HK\$67,096,000 was settled in the form of capital contribution to an investee classified as an available-for-sale investment (note 29).
- (iii) During the year ended 31 December 2014, the Group received distribution in specie of 30,076,820 shares of a listed equity security of HK\$0.99 each from an associate (note 20).
- (iv) During the year ended 31 December 2013, 12,395,029 units of Champion REIT were issued upon the conversion of the Bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. PLEDGE OF ASSETS

At 31 December 2014, 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\$49,109,536,000 (2013: HK\$49,912,799,000) 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 and furniture and fixtures with a total carrying value of HK\$9,000,074,000 (2013: HK\$7,474,527,000);
- (c) the Group's leasehold land and owner occupied buildings in Hong Kong with a total carrying value of HK\$349,700,000 (2013: HK\$122,442,000); and
- (d) the Group's RMB equivalent bank deposit of HK\$847,357,000 (2013: nil) (note 30).

45. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2014, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK\$930,645,000 (2013: HK\$103,599,000) of which HK\$181,127,000 (2013: HK\$77,436,000) was contracted for.

At 31 December 2014, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25,800,000 (equivalent to HK\$33,050,000) (2013: RMB25,800,000 (equivalent to HK\$33,050,000)).

At 31 December 2014, the Group has outstanding commitments for the acquisition of a hotel development project located at Minhang District, Shanghai, the PRC with a consideration of RMB868,500,000 (equivalent to HK\$1,086,000,000) and a for-sale condominium development project in the City of San Francisco, the USA with a consideration of US\$21,000,000 (equivalent to HK\$163,000,000).

The Group also has outstanding capital commitments (in respective form of cash and injection of properties) to China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund L.P. and the US Real Estate Fund of US\$90,000,000 (equivalent to HK\$698,000,000) and US\$133,700,000 (equivalent to HK\$1,037,000,000), respectively.

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

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For the year ended 31 December 2014

46. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK\$2,475,899,000 (2013: HK\$2,272,258,000). 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 2014 is HK\$97,240,000 (2013: HK\$100,382,000).

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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Within one year | 2,105,547 | 2,039,101 |
| In the second to fifth years inclusive | 3,764,265 | 3,120,966 |
| After five years | 566,011 | 468,069 |
| | 6,435,823 | 5,628,136 |

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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Within one year | 7,886 | 7,781 |
| In the second to fifth years inclusive | 2,197 | 7,731 |
| | 10,083 | 15,512 |

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.

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For the year ended 31 December 2014

47. CONNECTED AND RELATED PARTY DISCLOSURES

The Group had the following significant related party balances and transactions during the year. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties. Dr. Lo Ka Shui is the chairman (the "Chairman") and managing director of the Company. Transactions with the Group were disclosed as related party transactions.

Related companies set out below are companies in which Mr. Lo Hong Sui, Vincent or Mr. Lo Kai Shui, both being Directors of the Company who are also close family members of the Chairman, has controlling interests. Mr. Lo Hong Sui, Vincent, Mr. Lo Kai Shui, the Chairman and other family members are among the beneficiaries under a family trust holding 33.42% (2013: 33.11%) interest, which is a substantial shareholder of the Company. Additionally, connected party includes a company in which a director of a subsidiary has controlling interest.

Transactions with related companies (other than Wealth Joy) are also connected transactions as defined in the chapter 14A of the Listing Rules.

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Transactions with a related party for the year ended 31 December | | |
| Dr. Lo Ka Shui Management fee received | 1,200 | 1,182 |
| Transactions with related companies for the year ended 31 December | | |
| Sun Fook Kong Holdings Ltd and its subsidiaries | | |
| Rental income | 6,833 | 6,223 |
| Building management fee income | 1,022 | 968 |
| Trading income | – | 307 |
| Installation services income | – | 3,004 |
| Carpark income | 205 | 131 |
| Consultancy service income | 150 | 600 |
| Cleaning service charge | 12,126 | 12,805 |
| SOCAM Development Limited and its subsidiaries | | |
| Trading income | 451 | 3,029 |
| Shui On Land Limited and its subsidiaries | | |
| Rental expenses | 1,235 | – |
| Management fee expenses | 131 | – |
| Licence fee and hotel management fee income | 716 | 975 |
| Reimbursable centralised hotel expenses | 569 | 1,023 |
| Construction services income | – | 5,194 |
| Shui Sing Holding Limited and its subsidiaries | | |
| Rental expenses | 600 | 600 |
| Management fee expense | 545 | 564 |
| Management fee income | 240 | 240 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

47. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Transaction with a connected party for the year ended 31 December | | |
| Haining Hai Xing Hotel Co. Ltd. Supply procurement and consultancy services income | 1,068 | 1,456 |
| Transactions with associates for the period from 1 January 2014 to 11 December 2014 (2013: for the year ended 31 December 2013) | | |
| MGIL and its subsidiaries | | |
| Licence fee and hotel management fee income | 11,780 | 10,502 |
| Reimbursable centralised hotel expenses | 7,355 | 6,861 |
| Supply procurement and consultancy services income | – | 1,920 |
| Transactions with a joint venture for the year ended 31 December | | |
| Wealth Joy and its subsidiaries | | |
| Project advisory service income | 22,248 | 20,428 |
| Investment management income | 11,956 | 11,956 |
| Supply procurement and consultancy services income | 11,527 | 3,411 |

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Balances with associates, a joint venture, related companies and a connected party as at 31 December | | |
| Amounts due from associates (see note 20(d)) | | |
| Crucial Investments Limited | – | 23 |
| City Apex Limited | 12,054 | 12,054 |
| MGIL and its subsidiaries ¹ | – | 144,296 |
| | 12,054 | 156,373 |
| Amounts due from associates ² (included in trade debtors under debtors, deposits and prepayments) | | |
| MGIL and its subsidiaries | – | 5,989 |
| Amount due from a joint venture ² (included in trade debtors under debtors, deposits and prepayments) | | |
| Wealth Joy and its subsidiaries | 67,982 | 48,888 |

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For the year ended 31 December 2014

47. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Balances with associates, a joint venture, related companies and a connected party as at 31 December (continued) | | |
| Amounts due from related companies ² (included in debtors, deposits and prepayments) | | |
| Sun Fook Kong Holdings Ltd and its subsidiaries | 41 | 41 |
| SOCAM Development Limited and its subsidiaries | 644 | 678 |
| Shui On Land Limited and its subsidiaries | 31 | 596 |
| | 716 | 1,315 |
| Amount due from connected party ² (included in debtors, deposits and prepayments) | | |
| Haining Hai Xing Hotel Co. Ltd. | 88 | – |
| Amounts due to related companies ² (included in creditors, deposits and accruals) | | |
| Sun Fook Kong Holdings Ltd and its subsidiaries | 1,149 | 1,139 |
| Shui On Land Limited and its subsidiaries | 750 | – |
| | 1,899 | 1,139 |
| Amount due to a joint venture ² (included in creditors, deposits and accruals) | | |
| Wealth Joy and its subsidiaries | – | 96 |
| Amount due to connected party ² (included in creditors, deposits and accruals) | | |
| Haining Hai Xing Hotel Co. Ltd. | – | 58 |

Notes:

- 1 The Group injected to MGIL a total amount of HK\$331,613,000 as at 31 December 2013. During the year ended 31 December 2013, the Group has received from MGIL repayment of HK\$123,779,000.
- 2 The amounts are unsecured, interest-free and repayable on demand.

During the year, the Group had entered into certain agreements with related parties as disclosed in notes 20(a) and 20(b).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

48. EVENT AFTER THE END OF THE REPORTING PERIOD

The Group entered into a purchase and sale agreement for acquisition of a development project in San Francisco, the USA with a consideration of US\$21,000,000 and the transaction was completed subsequent to the end of the reporting period.

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2014 and 2013 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 | |
|---|---|--|---|---|------|
| | | | | 2014 | 2013 |
| – incorporated and operating in the British Virgin Islands: | | | | | |
| Jolly Trend Limited | 2 shares of US\$1 each | | Investment holding | 100% | 100% |
| Indirect subsidiaries | Share capital issued | | Principal activities | Percentage of issued equity share capital held by the Company | |
| | Number of shares | Issued and paid up share capital HK\$ | | 2014 | 2013 |
| – incorporated and operating in Hong Kong: | | | | | |
| Able Wise (China) Limited* | 1 | 1 | Investment holding | 100% | – |
| Bon Project Limited | 2 | 2 | Property investment | 100% | 100% |
| Champion Global Services Limited | 1 | 1 | Provision of procurement services | 93% | 93% |
| Chance Mark Limited | 2 | 2 | Property investment | 100% | 100% |
| Clever Gain Investment Limited | 2 | 2 | Restaurant operation | 100% | 100% |
| Eagle Asset Management (CP) Limited | 16,000,000 | 16,000,000 | Manager of real estate investment trust | 100% | 100% |
| Eagle Property Management (CP) Limited | 1 | 1 | Property management | 100% | 100% |
| Ease Billion Development Limited | 2 | 2 | Property investment | 100% | 100% |
| Ease Treasure Investment Limited* | 1 | 1 | Property development | 100% | 100% |
| Eaton House Management Limited | 1,000 | 10,000 | Management of furnished apartments | 100% | 100% |
| Fortuna Wealth Company Limited | 2 | 2 | Property investment | 100% | 100% |
| GE (LHIL) Lessee Limited | 1 | 1 | Hotel operation | 100% | 100% |
| Great Eagle (China) Investment Limited | 1 | 1 | Investment holding | 100% | 100% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

| Indirect subsidiaries | Share capital issued | | Principal activities | Percentage of issued equity share capital held by the Company | |
|--|----------------------|--|--|---|--------|
| | Number of shares | Issued and paid up share capital HK\$ | | 2014 | 2013 |
| – incorporated and operating in Hong Kong: (continued) | | | | | |
| Great Eagle Project Advisory Company Limited | 1 | 1 | Provision of project management services | 100% | 100% |
| Great Eagle Trading Holdings Limited | 1,000 | 82,992,841 | Investment holding | 93% | 93% |
| Keyesen Engineering Company, Limited | 2 | 2 | Maintenance services | 100% | 100% |
| Landton Limited** | 2 | 2 | Investment holding | 100% | 33.33% |
| Langham Hospitality Group Limited | 1 | 1 | Investment holding | 100% | 100% |
| Langham Hotels International Limited | 5,000 | 5,000 | Hotel management | 100% | 100% |
| Langham Hotels (China) Limited | 1 | 1 | Hotel management | 100% | 100% |
| LHIL Manager Limited | 1 | 1 | Trustee-Manager of Langham Hospitality Investments | 100% | 100% |
| Longworth Management Limited | 10,000 | 10,000 | Property management | 100% | 100% |
| Mega Bloom (China) Limited | 1 | 1 | Investment holding | 100% | 100% |
| Moon Yik Company, Limited | 10,000,000 | 10,000,000 | Property investment | 100% | 100% |
| Selex Properties Management Company, Limited | 2 | 2 | Property management | 100% | 100% |
| Sharp Bloom Limited | 1 | 1 | Treasury management | 100% | 100% |
| Strong Dynamic Limited | 2 | 2 | Fitness centre operation | 100% | 100% |
| The Great Eagle Company, Limited | 2,000,000 | 1,000,000 | Investment holding | 100% | 100% |
| The Great Eagle Development and Project Management Limited | 2 | 20 | Project management | 100% | 100% |
| The Great Eagle Engineering Company, Limited | 2 | 2 | Maintenance services | 100% | 100% |
| The Great Eagle Estate Agents Limited | 2 | 20 | Real estate agency | 100% | 100% |
| The Great Eagle Finance Company, Limited | 100,000 | 10,000,000 | Financing | 100% | 100% |
| The Great Eagle Properties Management Company, Limited | 1,800,000 | 1,800,000 | Property management | 100% | 100% |
| Toptech Co. Limited | 2,000,000 | 2,000,000 | Trading of building materials | 93% | 93% |
| Venus Glory Company Limited | 2 | 2 | Property investment | 100% | 100% |
| Worth Bright Company Limited | 2 | 2 | Property investment | 100% | 100% |
| Zamanta Investments Limited | 100 | 1,000 | Property investment | 100% | 100% |

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For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

| Indirect subsidiaries | Share capital issued | | Principal activities | Percentage of issued equity share capital held by the Company | |
|---|----------------------|--|----------------------|---|--------|
| | Number of shares | Issued and paid up share capital HK\$ | | 2014 | 2013 |
| – incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT: | | | | | |
| Benington Limited | 100 | 1,000 | Property investment | 61.65% | 60.35% |
| CP (A1) Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| CP (B1) Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| CP (MC) Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| CP (PH) Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| CP (SH) Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| CP (WC) Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| CP Finance Limited | 1 | 1 | Financing | 61.65% | 60.35% |
| CP (Portion A) Limited | 2 | 2 | Property investment | 61.65% | 60.35% |
| CP (Portion B) Limited | 2 | 2 | Property investment | 61.65% | 60.35% |
| CP Glory Limited | 1 | 1 | Financing | 61.65% | 60.35% |
| CP Success Limited* | 1 | 1 | Financing | 61.65% | – |
| CP Wealth Limited | 1 | 1 | Financing | 61.65% | 60.35% |
| Elegant Wealth Limited | 1 | 1 | Property investment | 61.65% | 60.35% |
| Maple Court Limited | 2 | 2 | Property investment | 61.65% | 60.35% |
| Panhy Limited | 2 | 2 | Property investment | 61.65% | 60.35% |
| Renaissance City Development Company Limited | 2 | 20 | Property investment | 61.65% | 60.35% |
| Shine Hill Development Limited | 1,000,000 | 1,000,000 | Property investment | 61.65% | 60.35% |
| Trump Treasure Limited | 1 | 1 | Financing | 61.65% | 60.35% |
| Well Charm Development Limited | 2 | 2 | Property investment | 61.65% | 60.35% |
| – incorporated and operating in Hong Kong and indirectly owned and controlled by Langham: | | | | | |
| Grow On Development Limited | 5,000 | 5,000 | Property investment | 58.22% | 57.72% |
| Harvest Star International Limited | 2 | 2 | Property investment | 58.22% | 57.72% |
| Langham Place Hotel (HK) Limited | 2 | 2 | Property investment | 58.22% | 57.72% |
| LHIL Finance Limited | 1 | 1 | Financing | 58.22% | 57.72% |
| LHIL Treasury (HK) Limited* | 1 | 1 | Financing | 58.22% | – |
| LHIL Treasury Company Limited* | 1 | 1 | Treasury management | 58.22% | – |

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49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

| Indirect subsidiaries | Issued and paid up equity share capital | Principal activities | Percentage of issued equity share capital held by the Company | |
|---|---|---|---|------|
| | | | 2014 | 2013 |
| – incorporated in the British Virgin Islands: | | | | |
| Bright Form Investments Limited | 1 share of US\$1 | Investment holding of Champion REIT units | 100% | 100% |
| Ecobest Ventures Limited | 1 share of US\$1 | Treasury management | 100% | 100% |
| Fine Noble Limited | 1 share of US\$1 | Treasury management | 100% | 100% |
| Great Eagle Nichemusic Limited | 1 share of US\$1 | Treasury management | 100% | 100% |
| Keen Flow Investments Limited | 1 share of US\$1 | Investment holding of Champion REIT units | 100% | 100% |
| LHIL Assets Holdings Limited | 1 share of US\$1 | Investment holding of Langham share stapled units | 100% | 100% |
| Main Treasure Holdings Limited | 1 share of US\$1 | Provision of investment management services | 100% | 100% |
| Nelsprite Limited | 1 share of US\$1 | Treasury management | 100% | 100% |
| Queenbrook Investments Limited | 1 share of US\$1 | Investment holding | 100% | 100% |
| Top Domain International Limited | 1 share of US\$1 | Investment holding of Champion REIT units | 100% | 100% |
| – incorporated in the British Virgin Islands and operating in the United Kingdom: | | | | |
| Great Eagle Hotels (UK) Limited | 1 share of US\$1 | Hotel ownership and operation | 100% | 100% |
| – incorporated and operating in Canada: | | | | |
| Great Eagle Hotels (Canada) Limited | 10 common shares of C\$1 each | Hotel ownership and operation | 100% | 100% |
| – incorporated in the British Virgin Islands and operating in Australia: | | | | |
| Katesbridge Group Limited | 1 share of US\$1 | Investment holding | 100% | 100% |
| Ruby Dynasty Limited | 1 share of US\$1 | Investment holding | 100% | 100% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

| Indirect subsidiaries | Issued and paid up equity share capital/ contribution paid | Principal activities | Percentage of issued equity share capital held by the Company | |
|--|--|----------------------------|---|------|
| | | | 2014 | 2013 |
| – incorporated and operating in Australia: | | | | |
| Southgate Hotel Management Pty. Ltd. | 17,408 shares of A\$2 each | Hotel operation | 100% | 100% |
| The Great Eagle Hotels (NSW) Trust | 100 units of A\$1 each | Hotel ownership | 100% | 100% |
| The Great Eagle Hotels (Victoria) Trust | 108,688,206 shares of A\$1 each | Hotel ownership | 100% | 100% |
| NSW Hotel Management Pty Ltd | 2 shares of A\$1 each | Hotel operation | 100% | 100% |
| – incorporated in the British Virgin Islands and operating in New Zealand: | | | | |
| Great Eagle Hotels (New Zealand) Limited | 1 share of US\$1 | Hotel ownership | 100% | 100% |
| – incorporated and operating in New Zealand: | | | | |
| Great Eagle Hotels (Auckland) Limited | 1,000 shares of no par value | Hotel operation | 100% | 100% |
| – incorporated and operating in the USA: | | | | |
| Pacific Chicago LLC | US\$8,000,000 | Hotel ownership | 100% | 100% |
| Pacific Eagle China Orient (US) Real Estate GP, LLC* | US\$250,000 | Investment fund management | 80% | – |
| Pacific Eagle (US) Real Estate Fund, L.P.* | US\$90,772,049.24 | Investment holding | 48.9% | – |
| Pacific Eagle Holdings Corporation | 100 shares of no par value | Real estate management | 100% | 100% |
| Pacific EIH Sacramento LLC* | US\$80,805,724 | Property investment | 48.9% | – |
| Pacific Fifth Avenue Corporation | 100 shares of US\$0.01 each | Hotel ownership | 100% | 100% |
| Pacific Dolphin Corporation | 100 shares of no par value | Property investment | 100% | 100% |
| Pacific Huntington Hotel Corporation | 100 shares of US\$0.001 each | Hotel ownership | 100% | 100% |
| Pacific Mission Corporation | 100 shares of US\$0.01 each | Property investment | 100% | 100% |
| Pacific 2700 Ygnacio Corporation | 100 shares of US\$1 each | Property investment | 100% | 100% |
| Pacific Ygnacio LLC* | US\$15,500,000 | Property investment | 48.9% | – |
| Shorthills NJ. Inc. | 100 shares of US\$1 each | Property investment | 100% | 100% |

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For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

| Indirect subsidiaries | Issued and paid up equity share capital/ registered capital | Principal activities | Percentage of issued equity share capital held by the Company | |
|--|--|-----------------------------------|---|--------|
| | | | 2014 | 2013 |
| – incorporated and operating in the PRC: | | | | |
| 卓環管理諮詢(上海)有限公司 | US\$100,000 | Provision of procurement services | 93% | 93% |
| 朗廷酒店管理(上海)有限公司 | US\$3,750,000 | Hotel management | 100% | 100% |
| 實力物業管理(大連)有限公司 | RMB3,000,000 | Property management | 100% | 100% |
| 上海禮興酒店有限公司** | US\$159,150,000 | Hotel ownership and operation | 50% | N/A |
| 高端(上海)貿易有限公司 | US\$350,000 | Trading of building materials | 93% | 93% |
| – incorporated and operating in Cayman Islands and indirectly owned and controlled by Champion REIT: | | | | |
| Champion MTN Limited | 1 share of US\$1 | Medium term notes issuer | 61.65% | 60.35% |
| Ernest Limited | 100 shares of US\$1 each | Investment holding | 61.65% | 60.35% |
| Fair Vantage Limited | 1 share of US\$1 | Debt securities issuer | 61.65% | 60.35% |

* All these subsidiaries commenced its business during the year ended 31 December 2014.

** Such entities are subsidiaries of MGIL. The Group holds 50% of the entire issued share capital of 上海禮興酒店有限公司 and full ownership of The Langham, Xintiandi, Shanghai in accordance with the shareholder agreement.

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 2014 and 2013 or at any time during both years.

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For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2014 and 2013:

| Indirect subsidiaries | Place of incorporation and principal activity | Proportion of ownership interests and voting rights held by non-controlling interests/unitholders | | Profit allocated to non-controlling interests/unitholders | | Accumulated non-controlling interests/unitholders | |
|-----------------------|---|---|----------|---|----------|---|------------|
| | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| Champion REIT | HK/Property investment | 38.35% | 39.65% | 740,818 | 906,298 | 17,746,512 | 17,986,810 |
| Langham | Cayman Islands/Property investment | 41.78% | 42.28% | 109,699 | 70,360 | (967,994) | (859,919) |
| US Real Estate Fund | The USA/Property investment | 48.9% | – | 41,748 | – | 822,727 | – |

The above information is based on Champion REIT and its subsidiaries, Langham and its subsidiaries and US Real Estate Fund and its subsidiaries.

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2014 has 61.65% and 58.22% (2013: 60.35% and 57.72%) ownership in Champion REIT and Langham, respectively, and the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Champion REIT and Langham. The Group additionally achieves control over Champion REIT and Langham through the REIT Manager and Trustee-Manager, respectively, who are wholly owned subsidiaries of the Group.

Although the Group as at 31 December 2014 has 48.9% ownership in US Real Estate Fund, the Directors concluded that the Group is able to direct the relevant activities of US Real Estate Fund and achieves control over US Real Estate Fund through the general partner, who is a subsidiary of the Group.

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For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests/unitholders is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Champion REIT and its subsidiaries

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Current assets | 1,206,298 | 1,315,423 |
| Non-current assets | 62,441,974 | 61,509,000 |
| Current liabilities | (2,372,882) | (9,426,965) |
| Non-current liabilities, excluding net assets attributable to unitholders | (15,000,260) | (8,033,498) |
| Net assets attributable to non-controlling unitholders of Champion REIT | 17,746,512 | 17,986,810 |
| Revenue | 2,288,239 | 2,179,268 |
| Expenses | (1,042,933) | (1,004,609) |
| Profit for the year, before distribution to unitholders | 1,928,563 | 2,198,654 |
| Distribution to unitholders | (1,170,668) | (1,201,226) |
| Profit for the year, after distribution to unitholders (note a) | 757,895 | 997,428 |
| Other comprehensive income (expense) for the year (note b) | 44,674 | (44,914) |
| Total comprehensive income for the year (note c) | 802,569 | 952,514 |
| Attributable to non-controlling unitholders of Champion REIT: | | |
| Profit for the year, before distribution to unitholders | 740,818 | 906,298 |
| Other comprehensive income (expense) for the year | 17,716 | (17,808) |
| Total comprehensive income for the year | 758,534 | 888,490 |
| Distributions to non-controlling unitholders of Champion REIT | 453,847 | 488,831 |
| Net cash inflow from operating activities | 1,270,276 | 1,207,998 |
| Net cash outflow from investing activities | (30,589) | (2,298,056) |
| Net cash (outflow) inflow from financing activities | (1,301,034) | 759,413 |
| Net cash outflow | (61,347) | (330,645) |

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49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| (a) Profit for the year, after distributions to unitholders attributable to owners of the Company | 470,924 | 579,961 |
| attributable to the non-controlling unitholders of Champion REIT | 286,971 | 417,467 |
| | 757,895 | 997,428 |
| (b) Other comprehensive income (expense) for the year attributable to owners of the Company | 26,958 | (27,106) |
| attributable to non-controlling unitholders of Champion REIT | 17,716 | (17,808) |
| | 44,674 | (44,914) |
| (c) Total other comprehensive income for the year attributable to owners of the Company | 498,310 | 552,855 |
| attributable to non-controlling unitholders of Champion REIT | 304,259 | 399,659 |
| | 802,569 | 952,514 |

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For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Current assets | 704,555 | 886,740 |
| Non-current assets | 17,000,025 | 16,696,009 |
| Current liabilities | (84,509) | (69,485) |
| Non-current liabilities | (6,937,565) | (6,843,018) |
| Equity attributable to non-controlling interests before intragroup eliminations | 4,463,151 | 4,511,380 |
| Equity attributable to non-controlling interests after intragroup eliminations (note) | (967,994) | (859,919) |
| Revenue | 751,738 | 471,764 |
| Expenses | (282,793) | (196,966) |
| Profit for the year | 557,063 | 445,275 |
| Other comprehensive income for the year | – | 12,574,602 |
| Total comprehensive income for the year | 557,063 | 13,019,877 |
| Attributable to non-controlling interests of Langham: Profit for the year (note) | 109,699 | 70,360 |
| Other comprehensive income for the year (note) | – | – |
| Total comprehensive income for the year (note) | 109,699 | 70,360 |
| Distributions to non-controlling interests of Langham | 282,633 | – |
| Net cash inflow from operating activities | 646,429 | 301,499 |
| Net cash outflow from investing activities | (169,733) | (1,253) |
| Net cash (outflow) inflow from financing activities | (627,243) | 415,679 |
| Net cash (outflow) inflow | (150,547) | 715,925 |

Note: The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation and depreciation on Langham's properties and other service fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

49. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Equity attributable to owners of the Company | 788,411 | – |
| Equity attributable to non-controlling interests | 822,727 | – |
| Profit for the year | 81,647 | – |
| Other comprehensive income for the year | – | – |
| Total comprehensive income for the year | 81,647 | – |
| Attributable to non-controlling interests of US Real Estate Fund: | | |
| Profit for the year | 41,748 | – |
| Other comprehensive income for the year | – | – |
| Total comprehensive income for the year | 41,748 | – |

The US Real Estate Fund had net cash inflow mainly arising from cash from financing activities of US\$100,872,000 (equivalent to HK\$782,444,000).

50. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2014 and 2013 are set out below:

| Indirect associates | Issued and paid up equity share capital | Principal activities | Percentage of issued equity share capital held by the Group | |
|---|---|---|---|--------|
| | | | 2014 | 2013 |
| – incorporated in the British Virgin Islands: | | | | |
| City Apex Limited | 3,500 shares of US\$1 each | Investment holding | 23% | 23% |
| Magic Garden Investments Limited (note a) | 3 shares of US\$1 each | Investment holding of subsidiaries which are engaged in hotel development and operation | – | 33.33% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

50. PARTICULARS OF THE ASSOCIATES (continued)

| Indirect associates | Issued and paid up equity share capital | Principal activities | Percentage of issued equity share capital held by the Group | |
|--|---|---|---|--------|
| | | | 2014 | 2013 |
| – incorporated in the Cayman Islands: | | | | |
| China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund General Partner | 100 shares of US\$1 each | General partner of investment fund | 20% | – |
| Redwood Peak Partners | 12,500 shares of US\$1 each | General partner of investment fund | 25% | – |
| – incorporated in the Bermuda and listed on the Stock Exchange: | | | | |
| Cinderella Media Group Limited (note b) | 333,634,000 shares of HK\$0.2 each | Investment holding of subsidiaries which are engaged in advertising | 18.75% | 18.82% |

Notes:

- (a) The Group acquired the remaining equity interests in MGIL on 11 December 2014, resulting in MGIL becoming a wholly-owned subsidiary. Details are set out in note 38.
- (b) 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 in Cinderella Media Group Limited.

51. PARTICULAR OF A JOINT VENTURE

Details of the Group's joint venture at 31 December 2014 and 2013 are set out below:

| Indirect joint venture | Issued and paid up equity share capital | Principal activity | Percentage of issued equity share capital held by the Group | |
|---|---|--|---|------|
| | | | 2014 | 2013 |
| – 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% | 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 | | | |
| Eaton House 3-5 Wan Chai Gap Road, Wan Chai, Hong Kong | Furnished apartments | 35,000 | 100% |
| Eaton House 100 Blue Pool Road, Happy Valley, 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 | | | |
| Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong | Apartments | 6,000 | 100% |
| Eaton House 4H Village Road, Happy Valley, Hong Kong | Furnished apartments | 23,000 | 100% |
| Eaton, Hong Kong 380 Nathan Road, Kowloon, Hong Kong | Hotel/Commercial | 339,000 | 58.22% |
| The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong | Hotel/Commercial | 375,000 | 58.22% |
| Langham Place Hotel, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong | Hotel | 580,000 | 58.22% |

APPENDIX I LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR LONG-TERM INVESTMENT (continued)

| Name and location | Use | Approximate floor area (sq. ft.) | Group's interests |
|---|-------------------|----------------------------------|-------------------|
| ON LAND UNDER MEDIUM-TERM LEASES (continued) | | | |
| The Langham, Xintiandi, Shanghai 99 Madang Road, Xintiandi, Shanghai 200021, the PRC | Hotel/Commercial | 575,000 | 100% |
| Citibank Plaza 3 Garden Road, Central, Hong Kong | Commercial/Office | 1,559,000 | 61.65% |
| Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong | Commercial/Office | 1,293,000 | 61.65% |
| ON FREEHOLD LAND | | | |
| The Langham, London 1B & 1C Portland Place, Regent Street, London, W1B 1JA, the United Kingdom | Hotel/Commercial | 363,000 | 100% |
| Eaton Chelsea, 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 1140, New Zealand | Hotel/Commercial | 309,000 | 100% |
| 500 Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, the USA | Office | 110,000 | 48.9% |

APPENDIX I LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR LONG-TERM INVESTMENT (continued)

| Name and location | Use | Approximate floor area (sq. ft.) | Group's interests |
|--|-------------------|----------------------------------|-------------------|
| ON FREEHOLD LAND (continued) | | | |
| 2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, CA 94598, the USA | Office | 115,000 | 100% |
| The Langham, Boston 250 Franklin Street, Boston, MA 02110, the USA | Hotel/Commercial | 281,000 | 100% |
| 353 Sacramento Street 353 Sacramento Street, San Francisco, CA 94111, the USA | Commercial/Office | 307,000 | 48.9% |
| The Langham Huntington, Pasadena, Los Angeles, 1401 South Oak Knoll Avenue, Pasadena, California 91106, the USA | Hotel/Commercial | 489,000 | 100% |
| The Langham, Sydney 89–113 Kent Street, Sydney, NSW 2000, Australia | Hotel | 129,000 | 100% |
| The Langham, Chicago 330 North Wabash, Chicago, IL 60611, the USA | Hotel | 342,000 | 100% |
| Langham Place Fifth Avenue Hotel 400 Fifth Avenue, New York 10018, the USA | Hotel | 297,000 | 100% |

APPENDIX I LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR LONG-TERM INVESTMENT (continued)

| Name and location | Use | Approximate floor area (sq. ft.) | Group's interests |
|---|-------------------|----------------------------------|-------------------|
| ON FREEHOLD LAND (continued) | | | |
| 123 Mission 123 Mission Street, San Francisco, CA 94105, the USA | Commercial/Office | 403,000 | 100% |
| Twelve & K Hotel 1201 K. Street, N.W., Washington DC, DC 20005, the USA | Hotel | 172,416 | 100% |

PROPERTIES 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, the PRC (note a) | Hotel/Apartments | 3,079,000 | 50% |
| TPTL No. 214, Fo Yin Road, Pak Shek Kok, Tai Po, New Territories, Hong Kong (note b) | Residential | 730,000 | 100% |

Notes:

- (a) As at the date of this annual report, the superstructure works were in progress. The project is targeted to complete in two phases by 2016 onward.
- (b) At the date of this annual report, the planning works of the site were in progress.

APPENDIX II FIVE YEARS' FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|--------------------------------|------------------|------------------|------------------|---------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 |
| RESULTS | | | | | |
| Revenue | 5,481,195 | 6,391,956 | 6,746,623 | 7,301,014 | 8,127,367 |
| Profit before tax | 11,225,541 | 7,717,526 | 5,834,630 | 3,803,975 | 3,506,144 |
| Income taxes | (242,447) | (353,569) | (442,980) | (426,312) | (496,305) |
| Profit for the year | 10,983,094 | 7,363,957 | 5,391,650 | 3,377,663 | 3,009,839 |
| Attributable to: | | | | | |
| Owners of the Company | 8,886,117 | 4,227,203 | 3,551,830 | 2,399,472 | 2,115,101 |
| Non-controlling unitholders of Champion REIT | 2,096,977 | 3,136,754 | 1,838,984 | 906,298 | 740,818 |
| Non-controlling interests | – | – | 836 | 71,893 | 153,920 |
| | 10,983,094 | 7,363,957 | 5,391,650 | 3,377,663 | 3,009,839 |
| Earnings per share | | | | | |
| Basic | HK\$7.51 | HK\$6.70 | HK\$5.63 | HK\$3.76 | HK\$3.23 |
| Diluted | HK\$7.48 | HK\$6.57 | HK\$5.58 | HK\$3.32 | HK\$3.22 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 70,160,295 | 75,611,338 | 81,915,541 | 97,772,028 | 101,945,360 |
| Total liabilities | (20,188,098) | (18,905,424) | (20,493,801) | (30,684,954) | (32,567,797) |
| | 49,972,197 | 56,705,914 | 61,421,740 | 67,087,074 | 69,377,563 |
| Equity attributable to owners of the Company | 33,875,173 | 37,983,100 | 42,771,004 | 49,956,025 | 51,769,678 |
| Non-controlling unitholders of Champion REIT | 16,097,024 | 18,722,814 | 18,647,877 | 17,986,810 | 17,746,512 |
| Non-controlling interests | – | – | 2,859 | (855,761) | (138,627) |
| | 49,972,197 | 56,705,914 | 61,421,740 | 67,087,074 | 69,377,563 |

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expression shall have the followings 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 |
| "CG Code" | Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules |
| "Champion REIT" | Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of SFO, in which the Group has an interest of approximately 61.65% as at 31 December 2014 |
| "China Fund" | China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund L.P. |
| "Cinderella Media" | Cinderella Media Group 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 18.75% as at 31 December 2014 |
| "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 |
| "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 |

DEFINITIONS

| Term | Definition |
|-----------------------------------|--|
| "LHI" | Langham Hospitality Investments and Langham Hospitality Investments Limited (Stock Code: 1270), the share stapled units of which are listed on the Stock Exchange, in which the Group had an interest of approximately 58.22% as at 31 December 2014 |
| "Listing Rules" | Rules Governing the Listing of Securities on the Stock Exchange |
| "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 |
| "RevPAR" | Revenue per available room |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Shareholder(s)" | holder(s) of ordinary share(s) in the share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "U.S." or "United States" | United State of America |
| "U.S. Fund/U.S. Real Estate Fund" | Pacific Eagle (US) Real Estate Fund, L.P. |

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 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).



鷹君集團有限公司
Great Eagle
Holdings Limited

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