恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12

At the core of the Group's commitment to a sustainable future, Henderson Land embraces innovation and continually aligns its operations to best practice. Henderson Land follows a strategy emphasizing sustainability, that is driving the progressive development of its business and ensuring its long term success.

(Cover Photo: Many of the Group's signature buildings in Hong Kong and mainland China have been recognized for their green features. From left to right, The Gloucester, Mira Moon, Henderson Metropolitan, Two International Finance Centre, World Financial Centre, Arch of Triumph, Hill Paramount. The photo below shows the Winter Garden inside World Financial Centre.)

Two ifc, Hong Kong
***Platinum BEAM Rating** (left)*

Centro, Shanghai
***LEED Gold Certification** (right)*

DELIVERING A SUSTAINABLE FUTURE

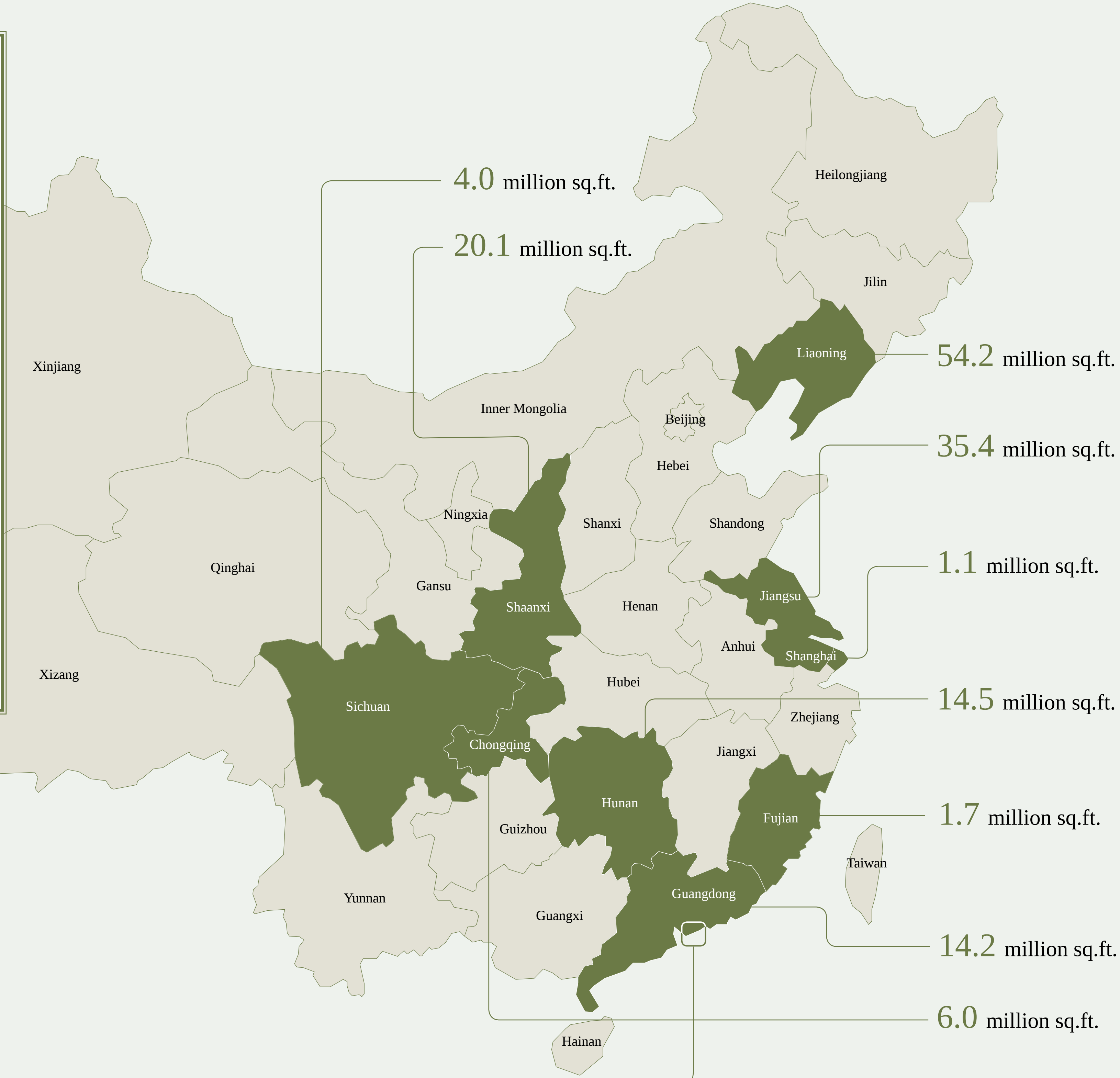
Annual Report 2011

CORPORATE PROFILE

Founded in 1976 by its Chairman, Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2011, Henderson Land had market capitalization of HK$91 billion and the combined market capitalization of the Company, its listed subsidiaries and associates was HK$253 billion.

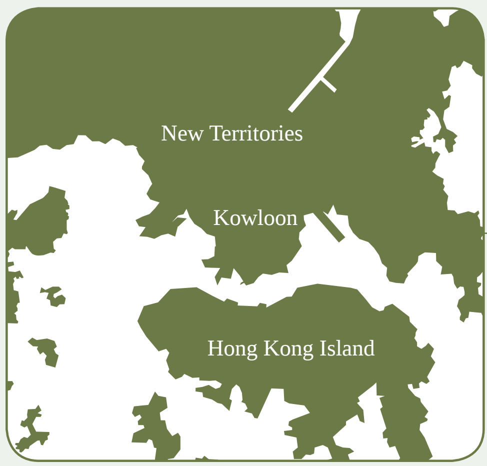
The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.



New Territories 4.4 million sq.ft.

Kowloon 3.6 million sq.ft.

Hong Kong Island 2.2 million sq.ft.



The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2011. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

Contents

Forward-Looking Statements

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

Awards & Accolades

1. **The 8th Top 10 Influential Brands in China**
   China United Business News, China Wisdom Engineering Association and 3 other research institutes / associations
   Top 10 Influential Brands in China Real Estate Industry
2. **Hang Seng Corporate Sustainability Index Series**
   Hang Seng Indexes Company Limited
   Constituent Company
3. **The 5th Annual Autodesk HK BIM Awards 2011**
   Autodesk
4. **Caring Company 2010/11**
   Hong Kong Council of Social Services
   Henderson Land, Hong Kong & China Gas, Hong Kong Ferry, Miramar, Hang Yick, Well Born & Goodwill
5. **BCI Asia Top 10 Awards 2011**
   BCI Asia
   Top 10 Developers Awards 2011
6. **The Excellence of Listed Enterprise Awards 2011**
   CAPITAL WEEKLY
7. **2011 International ARC Awards**
   Mercomm, Inc.
   Gold Award (category: Financial Data - Real Estate Development)
   Bronze Award (category: Interior Design - Real Estate Development)
8. **Golden Brick Award for Real Estate of China**
   21st Century Business Herald and the Organizing Committee of Boao 21st Century Real Estate Forum
   2011 Most Outstanding Architecture Award (39 Conduit Road)
9. **metroBOX Greater China Excellent Brand Awards 2011**
   metroBOX, Yangcheng Metro News
   Greater China Excellent Brand for Luxury Properties (Hill Paramount)
10. **HKCA Safety Award 2010**
    Hong Kong Construction Association
    HKCA Proactive Safety Contractors Award 2010 (E Man, Heng Shung & Grandic)
    HKCA Safety Merit Award 2010 (Heng Lai)
11. **The 2nd Hong Kong Outstanding Corporate Citizenship Award**
    Hong Kong Productivity Council
    Services Industry - Merit Award (Property Management)
    Outstanding Corporate Volunteer Team - Silver Award (Team of Care)
12. **2010 Customer Relationship Excellence Awards**
    Asia Pacific Customer Service Consortium
    Corporate Health & Safety Achievement of the Year 2010 (Property Management)
    Customer Loyalty Program of the Year 2010 (Property Management)
    Corporate Environmental & Social Leadership of the Year 2010 (Property Management - Goodwill)
    High Speed Customer Service of the Year 2010 (Property Management - Goodwill)
    Merit - Integrated Support Team of the Year 2010 (Goodwill)
13. **Excellence in Facility Management Award 2011**
    Hong Kong Institute of Facility Management
    Excellence in Facility Management Award - Office Building (Manulife Financial Centre)
    Excellence in Facility Management Award - Retail (Metro City Phase II)
14. **Family-Friendly Employers Award Scheme 2011**
    Family Council
    Distinguished Family-Friendly Employer (The Hong Kong & China Gas Company Limited)
    Family-Friendly Employer (Hang Yick, Well Born & Goodwill)
15. **World Top 1000 Chinese Enterprises**
    Yazhou Zhoukan
    Best Business Performance Award 2011 - Hong Kong Region (The Hong Kong and China Gas Company Limited)
16. **CAPITAL Outstanding Enterprise 2011**
    CAPITAL
    Outstanding Hong Kong Branding Enterprise (Miramar Hotel and Investment Company, Limited)
17. **2010/11 One Factory-One Year-One Environmental Project (1-1-1) Programme**
    Federation of Hong Kong Industries
    Hang Seng-Pearl River Delta Environmental Award - Green Participant (The Hongkong & Yaumati Ferry Company Limited)

Building Environmental Assessment Method (BEAM) (Left)

Leadership in Energy and Environmental Design (LEED) (Right)

Hong Kong Green Awards 2011

During the year, Henderson Land again garnered many awards and acknowledgements for the quality of its projects and services, reflecting its continued commercial success and its contributions in important areas such as environmental awareness and sustainability. In the Hong Kong Green Awards 2011, Henderson Land Group companies as a whole won more than 30 awards and certificates, becoming the largest winner of the year. As further recognition of the Group's comprehensive approach to sustainability, many Group projects are achieving the highest ratings under the globally recognized LEED and BEAM schemes. For example, during the year, Centro achieved a Gold LEED and Platinum BEAM rating, while One International Finance Centre, Two International Finance Centre, Manulife Financial Centre, and Henderson Metropolitan all achieved Platinum BEAM ratings, the highest possible under the scheme's stringent requirements.

Henderson Land Group Structure

Market capitalization as at 31 December 2011
Henderson Land Development Company Limited: HK$91 billion
Six listed companies of Henderson Land Group: HK$253 billion

Henderson Land Development Company Limited

Investment holding, property development and investment in Hong Kong and mainland China, hotel operation, project and property management, construction, department store operation and provision of finance

31.36%

Hong Kong Ferry (Holdings) Company Limited

Property development and investment

67.94%

Henderson Investment Limited

Infrastructure

39.88%

The Hong Kong and China Gas Company Limited

Production and distribution of gas in Hong Kong and mainland China

44.21%

Miramar Hotel and Investment Company, Limited

Property investment, hotel operation, food and beverage operations, travel business and apparel retail business

66.18%

Towngas China Company Limited

Sale and distribution of liquefied petroleum gas and natural gas in mainland China

Note: all percentage shareholdings shown above were figures as of 31 December 2011.

Highlights of 2011 Final Results

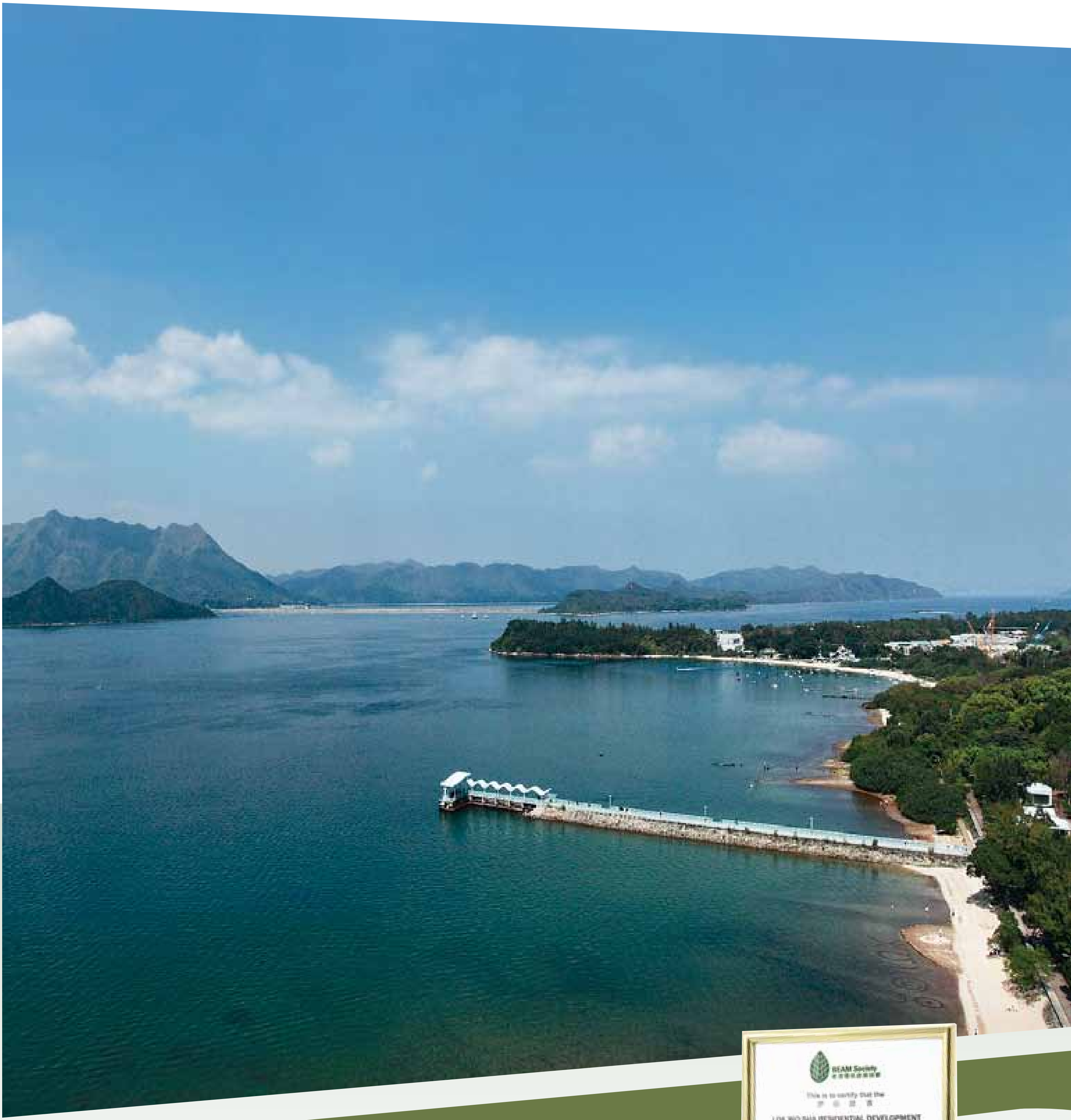
	Note	For the year ended 31 December 2011 HK$ million	2010 HK$ million	Change
Property sales				
– Revenue	*1*	**9,479**	3,560	+166%
– Profit contribution	*1*	**2,079**	539	+286%
Property Leasing				
– Gross rental income	*2*	**5,805**	4,865	+19%
– Net rental income	*2*	**4,169**	3,344	+25%
Profit attributable to Shareholders				
– Underlying profit	*3*	**5,560**	5,042	+10%
– Reported profit		**17,184**	15,820	+9%
		HK$	HK$	
Earnings per share				
– Based on underlying profit	*3*	**2.41**	2.33	+3%
– Based on reported profit		**7.44**	7.32	+2%
Dividends per share		**1.00**	1.00	-
		At 31 December 2011	**2010**	
		HK$	HK$	
Net asset value per share		**78.23**	73.09	+7%
Net debt to Shareholders' equity		**19.9%**	28.2%	-8.3 percentage points
		At 31 December 2011 Million square feet	**2010 Million square feet**	
Hong Kong				
Land bank (attributable floor area)				
– Properties held for/under development		**10.2**	9.3	
– Stock of unsold properties		**0.7**	1.6	
– Completed investment properties (including hotel properties)		**10.2**	10.4	
		21.1	21.3	
New Territories land (total land area)		**41.9**	40.6	
Mainland China				
Land bank (attributable floor area)				
– Properties held for/under development		**151.2**	150.4	
– Stock of unsold properties		**1.0**	0.4	
– Completed investment properties		**6.5**	6.5	
		158.7	157.3	

Notes:

1 Representing the Group's attributable share of property sales and their profit contribution (before taxation) in Hong Kong and mainland China by subsidiaries, associates and jointly controlled entities ("JCEs"). The comparative figures for 2010 were shown after taking into account the effect of cancelled sales transactions.

2 Representing the Group's attributable share of gross rental income and net rental income (before taxation) from investment properties in Hong Kong and mainland China held by subsidiaries, associates and JCEs.

3 Excluding the fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and JCEs.



Building Environmental Assessment Method (BEAM)

Provisional Platinum Rating

Lok Wo Sha, Ma On Shan (Phase 1)

BUILDING
FOR THE
FUTURE

The Group's developments are frequently ahead of their time in both concept and design, embracing world-class standards whilst carefully anticipating the needs and concerns of society in years to come. Spearheaded by the world-renowned master architect Lord Richard Rogers, the Lok Wo Sha project typifies Henderson Land's conscientious development approach, drawing on world-class design and thoroughly accommodating sustainability and environmental considerations. This project transformed agricultural land into residential use while maintaining the scenic natural beauty of the location.

Dr The Honourable Lee Shau Kee, GBM
Chairman and Managing Director

Chairman's Statement

Dear Shareholders

On behalf of your Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2011.

Profit and Net Assets Attributable to Shareholders

The Group's underlying profit attributable to equity shareholders (before the fair value change of investment properties and investment properties under development) for the year ended 31 December 2011 amounted to HK$5,560 million, representing an increase of HK$518 million or 10% over HK$5,042 million for the year ended 31 December 2010. Based on the underlying profit, the earnings per share were HK$2.41 (HK$2.33 for the year ended 31 December 2010).

Including the fair value change (net of non-controlling interests and deferred taxation) of investment properties and investment properties under development, the Group profit attributable to equity shareholders for the year ended 31 December 2011 was HK$17,184 million. Compared with the Group's profit attributable to equity shareholders of HK$15,820 million for the year ended 31 December 2010, this represented an increase of HK$1,364 million or 9%. Earnings per share were HK$7.44 (HK$7.32 for the year ended 31 December 2010).

At 31 December 2011, the net asset value attributable to equity shareholders amounted to HK$185,336 million (or HK$78.23 per share), 17% higher than the amount of HK$159,038 million (or HK$73.09 per share) at 31 December 2010. Net debt (including the amount of HK$8,583 million due to a wholly owned subsidiary of Henderson Development Limited which is controlled by the private family trusts of Dr Lee Shau Kee) amounted to HK$36,890 million (2010: HK$44,818 million) with the gearing ratio at 19.9% (2010: 28.2%).

Dividends

Your Board recommends the payment of a final dividend of HK$0.70 per share to Shareholders whose names appear on the Register of Members of the Company on Monday, 18 June 2012, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.30 per share already paid, the total dividend for the year ended 31 December 2011 will amount to HK$1.00 per share (2010: HK$1.00 per share).

The proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to Shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent to Shareholders on Thursday, 19 July 2012.

Business Review - Hong Kong

Property Sales

During the first half of the year under review, with the local property market remaining robust, the Group capitalized on the positive market sentiment and successfully re-launched an array of popular developments for sale. However, starting from mid-2011, stabilizing measures introduced by the Hong Kong SAR Government, the lingering European debt crisis and the growing concerns over economic deterioration in both mainland China and the United States led to a stagnant property market in the latter half of the year.

Luxury developments put up for sale during the year included Hill Paramount in Shatin, Headland Road in Island South, Casa Marina (Phases 1 and 2), as well as The Beverly Hills (Phase 1) and Légende Royale - The Beverly Hills (Phase 3) in Tai Po. They all received encouraging responses. For the year ended 31 December 2011, the Group sold 325 residential units in Hong Kong, generating attributable sales revenue of HK$8,308 million, a marked increase when compared with HK$4,842 million for the previous financial year (before taking into account the effect of cancelled sales). Meanwhile, 67 deluxe villas in Casa Marina (Phases 1 and 2) and The Beverly Hills (Phase 1), which were previously held for rental purposes, together with approximately 100,000 square feet of industrial/office/commercial premises (including some rental properties such as the office at 9 Queen's Road Central), were also disposed of during the year. Including the Group's share of sales proceeds of HK$2,538 million arising from these disposals, the Group sold an attributable HK$10,846 million worth of properties in Hong Kong for the year ended 31 December 2011.

Furthermore, The Gloucester, an 114,000-square-foot signature residential project situated on Hong Kong waterfront with full sea views, was launched for pre-sale in April 2011 with over 90% of its total 177 residential units snapped up by the end of the year. E-Trade Plaza, a 170,000-square-foot Grade A office tower at Island East, also achieved encouraging results with about 30% of its saleable area successfully sold within a few months since its pre-sale in the fourth quarter of 2011. AZURA, the Group's joint venture development at Mid-Levels of Hong Kong Island, went on sale in November 2010 and cumulatively, 98 of its total 126 residential units had been pre-sold by the end of 2011. Their attributable sales revenue totalling HK$3,373 million, as well as the corresponding profit contribution, will be reflected in the results for the next financial year, when they are due for completion.

La Verte in Fanling has sold well since it was released for sale in February 2012.

The Gloucester and Mira Moon, Wanchai, Hong Kong (artist's impression)

At 31 December 2011, the Group had about 880,000 square feet in attributable gross floor area available for sale from the following projects:

(1) Unsold units from the major development projects offered for sale:

						at 31 December 2011	
	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units remaining unsold	Gross area remaining unsold (sq.ft.)
1.	Casa Marina I 28 Lo Fai Road, Tai Po	283,200	226,561	Residential	100.00	8	25,656
2.	Casa Marina II 1 Lo Ping Road, Tai Po	228,154	182,545	Residential	100.00	14	49,459
3.	The Beverly Hills – Phase 1 23 Sam Mun Tsai Road, Tai Po	982,376 *(Note 1)*	1,165,240 *(Note 1)*	Residential	90.10	18 *(Note 2)*	68,744 *(Note 2)*
4.	Légende Royale The Beverly Hills – Phase 3 23 Sam Mun Tsai Road, Tai Po	982,376 *(Note 1)*	1,165,240 *(Note 1)*	Residential	90.10	25	126,910
5.	39 Conduit Road, Mid-Levels	56,748	229,255	Residential	60.00	42 *(Note 3)*	139,685 *(Note 3)*
6.	Hill Paramount 18 Hin Tai Street, Shatin	95,175	358,048	Residential	100.00	39	104,588
7.	Green Lodge Tong Yan San Tsuen, Yuen Long	78,781	78,781	Residential	100.00	14	29,303
8.	The Gloucester 212 Gloucester Road, Wanchai	11,545	113,977	Residential	100.00	14	23,892
9.	AZURA 2A Seymour Road, Mid-Levels	22,957	206,306	Residential	12.50	28	54,446
10.	E-Trade Plaza 24 Lee Chung Street, Chai Wan	11,590	173,850	Office	100.00	Not applicable	128,694
					Sub-total:	**202**	**751,377**
					Gross area attributable to the Group:		**628,493**

(2) Projects pending sale:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units	Gross area (sq.ft.)
1.	30-38 Po Tuck Street and 36 Clarence Terrace Western District, Hong Kong	7,310	58,400	Residential	100.00	133	58,400
2.	68 Boundary Street Kowloon	6,750	60,749	Commercial/ Residential	100.00	41	50,624
3.	45-49 Boundary Street and 189-195 Sai Yeung Choi Street North Kowloon	5,880	52,919	Commercial/ Residential	100.00	59	44,099
4.	186-188 Tai Po Road Sham Shui Po, Kowloon	8,324	70,298	Commercial/ Residential	100.00	138	62,321
5.	La Verte 283 Jockey Club Road, Fanling	42,884	34,308	Residential	100.00	16	34,308
					Sub-total:	**387**	**249,752**
					Gross area attributable to the Group:		**249,752**
					Total saleable area from the major development projects:	**589**	**1,001,129**
					Total gross area attributable to the Group:		**878,245**

Note 1: The total site area and the total gross floor area for the whole project of The Beverly Hills are 982,376 square feet and 1,165,240 square feet, respectively.
Note 2: There are 8 houses in this phase of The Beverly Hills held for investment purpose.
Note 3: There are 17 residential units held for investment purpose.

In addition, the Group is planning to launch the following residential projects for sale in 2012 upon receipt of the relevant sales consents:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units	Gross floor area (sq.ft.)
1.	Shatin Town Lot 502 at Lok Wo Sha Ma On Shan – Phase 1	479,804	783,178	Commercial/ Residential	59.00	928	684,580
2.	Yuen Long Town Lot 526 Tai Tong, Yuen Long	371,358	1,299,753	Residential	79.03	2,580	1,299,753
					Sub-total:	**3,508**	**1,984,333**
					Gross area attributable to the Group:		**1,431,097**

Together with the above-mentioned unsold stocks and projects pending sale or pre-sale of more than 500 residential units, a total of over 4,000 residential units with an aggregate attributable gross floor area of about 2.3 million square feet will be available for sale and pre-sale in 2012.

Land Bank

At 31 December 2011, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 21.1 million square feet, made up as follows:

		Attributable gross floor area (million sq.ft.)
Properties held for or under development		10.2
Stock of unsold property		0.7
Completed investment properties *(Note)*		9.2
Hotel properties		1.0
	Total:	**21.1**

Note: The Group held additional rentable car parking spaces with a total area of around 2.8 million square feet.

(I) Redevelopment of old buildings in the urban areas

Existing redevelopment projects

The Group had a total of 8 existing projects under planning for redevelopment or conversion into other purposes, which would provide about 1.43 million square feet in attributable gross floor area for commercial and residential use in the urban areas as shown in the table below:

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future development (sq.ft.)	Group's interest (%)	Expected attributable gross floor area in future development (sq.ft.)
1.	68 Boundary Street, Kowloon	6,750	60,749	100.00	60,749
2.	19-21 Wong Chuk Hang Road, Hong Kong	14,298	214,467	50.00	107,233
3.	45-47 Pottinger Street and Ezra's Lane, Central, Hong Kong	9,067	94,190	19.10	17,986
4.	25 La Salle Road, Kowloon Tong, Kowloon *(Note 1)*	13,467	24,175	100.00	24,175
5.	29 Lugard Road, The Peak, Hong Kong	23,653	11,824	100.00	11,824
6.	8 Wang Kwong Road, Kowloon Bay, Kowloon *(Note 2)*	21,528	174,789	100.00	174,789
7.	14-30 King Wah Road, North Point, Hong Kong	37,566	224,828	100.00	224,828
8.	Yau Tong Bay, Kowloon	878,962	4,394,808	18.44	810,214
	Total:	**1,005,291**	**5,199,830**		**1,431,798**

Note 1: The site was previously held by the Group as a serviced apartment building.

Note 2: The existing industrial building (i.e. Big Star Centre) at this site is planned to be redeveloped into an office tower with an enlarged gross floor area of about 258,000 square feet. However, such land-use conversion plan is still subject to Government's approval.

Newly-acquired redevelopment projects of old buildings

In light of the market development, during the year the Group continued to maintain its prudent practice of acquiring old tenement buildings in urban areas for redevelopment in the belief that it would be a win-win move for all parties over the long term. Firstly, it is in line with the Government's policy initiatives on promoting urban renewal and creating a vibrant urban environment. Secondly, it enables the owners of units in old buildings to realize their dilapidated homes at a price higher than the prevailing market price for the old buildings and to acquire newer and safer homes. Lastly, it provides the Group with a source of urban land supply that requires lower cost and hence yields higher margin. To date, entire or majority ownership of 37 urban projects has been secured and they are expected to provide a total attributable gross floor area of approximately 2.88 million square feet, or about 3,000 housing units. The total land costs for these 37 urban projects are estimated at about HK$11,800 million, translating into an average land cost of approximately HK$4,100 per square foot of gross floor area. Such favourable land costs will ensure a significant contribution to the Group's earnings. A summary of the projects which have been acquired is as follows:

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area in future development (sq.ft.)	Expected year of sales launch *(Note 1)*
A.	**Projects with ownership fully consolidated:**			
1.	30-38 Po Tuck Street and 36 Clarence Terrace Western District, Hong Kong *(Note 2)*	7,310	58,400	2012
2.	45-49 Boundary Street and 189-195 Sai Yeung Choi Street North, Kowloon *(Note 2)*	5,880	52,919	2012
3.	186-188 Tai Po Road, Sham Shui Po, Kowloon *(Note 2)*	8,324	70,298	2012
4.	1-7A Gordon Road, North Point, Hong Kong (Note 2)	7,423	64,437	2013
5.	75-81 Sa Po Road, Kowloon City, Kowloon *(Note 2)*	3,582	32,219	2013
6.	186-198 Fuk Wing Street, Sham Shui Po, Kowloon *(Note 2)*	7,500	63,281	2013
7.	59-63 Wing Hong Street and 88-92 King Lam Street Cheung Sha Wan, Kowloon *(Notes 2 and 3)*	28,004	336,048	Not applicable
8.	25 Robinson Road, Mid-Levels, Hong Kong *(Notes 2 and 4)*	15,734	39,292	2013
9.	565-577 Fuk Wah Street, Cheung Sha Wan, Kowloon	7,560	63,788	2013
10.	23-33 Shing On Street, Sai Wan Ho, Hong Kong *(Note 2)*	4,605	38,081	2014
11.	208-210 Johnston Road, Wanchai, Hong Kong *(Note 3)*	1,939	29,085	2014
12.	352-354 Un Chau Street, Cheung Sha Wan, Kowloon	2,289	19,457	2014
13.	2-12 Observatory Road, Tsim Sha Tsui, Kowloon *(Notes 2, 3 and 4)*	13,537	81,224	Not applicable
	Sub-total:	**113,687**	**948,529**	

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area in future development (sq.ft.)	Expected year of sales launch *(Note 1)*
B.	**Projects with the percentage of ownership reaching the compulsory sale application threshold for redevelopment:**			
14.	62-72 Main Street Ap Lei Chau, Hong Kong	5,973	50,771	2013
15.	89-95 Shek Pai Wan Road Aberdeen, Hong Kong	3,300	28,050	2013
16.	11-33 Li Tak Street Tai Kok Tsui, Kowloon *(Note 2)*	19,600	165,339	2013
17.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street To Kwa Wan, Kowloon *(Note 2)*	11,404	102,088	2013
18.	450-456G Queen's Road West Western District, Hong Kong *(Note 2)*	28,371	275,999	2014
19.	4-6 Tin Wan Street Aberdeen, Hong Kong	1,740	14,790	2014
20	12-14 Tin Wan Street Aberdeen, Hong Kong	2,030	18,270	2014
21.	9-13 Sun Chun Street Tai Hang, Hong Kong	2,019	18,171	2014
22.	21-39 Mansion Street and 852-858 King's Road North Point, Hong Kong	17,720	168,640	2014
23.	19-21 Shing On Street and 15 Tai Shek Street Sai Wan Ho, Hong Kong	1,998	17,982	2014
24.	57-69 Ma Tau Wai Road 2-20 Bailey Street and 18A-30 Sung Chi Street To Kwa Wan, Kowloon *(Note 2)*	23,031	207,272	2014
25.	38-40A Hillwood Road Tsim Sha Tsui, Kowloon *(Note 3)*	4,586	55,032	2014

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area in future development (sq.ft.)	Expected year of sales launch *(Note 1)*
26.	456-462A Sai Yeung Choi Street North Sham Shui Po, Kowloon	12,298	103,531	2014
27.	1-19 Nam Cheong Street Sham Shui Po, Kowloon *(Note 2)*	8,625	77,626	2014
28.	342-348 Un Chau Street Cheung Sha Wan, Kowloon	4,579	38,922	2014
29.	11-19 Wing Lung Street Cheung Sha Wan, Kowloon	6,510	58,590	2014
30.	196-202 Ma Tau Wai Road To Kwa Wan, Kowloon	4,905	41,328	2014
31.	79-83 Fuk Lo Tsun Road Kowloon City, Kowloon	3,630	30,855	2014
32.	8-30A Ka Shin Street Tai Kok Tsui, Kowloon *(Note 2)*	19,738	176,211	2014
33.	1-15 Berwick Street Shek Kip Mei, Kowloon	9,788	78,304	2014
34.	21-27 Berwick Street and 212-220 Nam Cheong Street Shek Kip Mei, Kowloon	10,538	84,304	2014
35.	3-4 Yiu Tung Street Shek Kip Mei, Kowloon	2,275	18,200	2014
36.	7-8 Yiu Tung Street Shek Kip Mei, Kowloon	2,275	18,200	2014
37.	7-7G Victory Avenue Homantin, Kowloon	9,865	83,853	2014
	Sub-total:	**216,798**	**1,932,328**	
	Total for 37 projects with entire or majority ownership:	**330,485**	**2,880,857**	

Note 1: Completion of a redevelopment is expected to occur in the second year after the year in which the redevelopment is to be launched for pre-sale.

Note 2: Building plan already approved.

Note 3: With the exception of project numbers 7, 11, 13 and 25 above, which are intended to be redeveloped into office or industrial/office buildings, all of the above projects are designated for commercial and residential uses. Project numbers 7 and 13 will be held as investment properties.

Note 4: The Group holds a 50% stake in such redevelopment project.

Further acquisitions, involving another 47 projects spanning various highly accessible urban districts, are in progress and they are expected to provide a total attributable gross floor area of approximately 5.16 million square feet upon successful completion of their acquisition and redevelopment and below is the geographical distribution:

			Land area (sq.ft.)	Expected attributable gross floor area upon successful completion of acquisition and redevelopment (sq.ft.)
1.	**Hong Kong**			
	Central & Western		135,127	1,019,429
	Island East		62,283	593,874
	Causeway Bay		30,368	296,265
	Aberdeen		19,247	172,339
	Wanchai		8,084	72,756
		Sub-total:	**255,109**	**2,154,663**
2.	**Kowloon**			
	Hung Hom		121,750	1,095,750
	Tai Kok Tsui		97,136	837,526
	Homantin		64,650	517,383
	Tsim Sha Tsui		39,483	373,289
	Sham Shui Po		20,363	183,267
		Sub-total:	**343,382**	**3,007,215**
		Total:	**598,491**	**5,161,878**

(II) New Territories land

At the end of December 2011, the Group held New Territories land reserves amounting to approximately 41.9 million square feet, which is the largest holding among all property developers in Hong Kong.

For "North East New Territories Future New Development Towns" and "Hung Shui Kiu Future New Development Town", in which the Group holds land lots of approximately 9.1 million square feet in total land area, the Group will continue to closely coordinate its approach with the Government's development plans, which are still subject to finalization. It is expected that these two future new development towns will become highly strategic locations, benefitting from the improved transport infrastructure and easier accessibility between Hong Kong and mainland China and details are shown in the following table:

			Total land area (sq.ft.)
1.	North East New Territories Future New Development Towns		
	- Wu Nga Lok Yeung		2,700,000
	- Ping Che		2,000,000
	- Kwu Tung North		400,000
		Sub-total:	**5,100,000**
2.	Hung Shui Kiu Future New Development Town		4,000,000
		Total:	**9,100,000**

For the land lots of about 9.1 million square feet in the above two future new development towns, the total developable gross floor area will be 18.2 million square feet if the allowed plot ratio for development is 2 times, whilst the total developable gross floor area will increase to 27.3 million square feet if the allowed plot ratio is 3 times. Based on an average unit size of 600 square feet, the potential housing units will be in number of about 30,000 to 45,000.

Regarding the Group's residential development at Tai Tong Road, Yuen Long, land-use conversion for an additional 123,000 square feet of residential space was finalized with the Government, with the land premium fully settled in mid-November 2011, thereby increasing the total gross floor area of this project to approximately 1.3 million square feet, of which approximately 1.0 million square feet is attributable to the Group.

For the wetland restoration and residential project in Wo Shang Wai, Yuen Long, it is planned to be developed into a low-density luxury residential development with a total gross floor area of approximately 895,000 square feet against a total land area of about 2.3 million square feet. The latest planning application has been approved by the Town Planning Board and the corresponding land-use conversion application is in progress.

Investment Properties

At 31 December 2011, the Group held a total attributable gross floor area of approximately 9.2 million square feet in completed investment properties in Hong Kong, comprising 4.5 million square feet of commercial or retail space, 3.4 million square feet of office space, 0.9 million square feet of industrial/office space and 0.4 million square feet of residential and apartment space. This leasing portfolio is geographically diverse, with 25% in Hong Kong Island, 34% in Kowloon and the remaining 41% in the new towns (with most of the latter being large-scale shopping malls).

Leasing performance was impressive during the year with gross rental income setting a new record. The Group's attributable gross rental income[Note] in Hong Kong for the year ended 31 December 2011 increased by 11% to HK$4,889 million, whilst pre-tax net rental income[Note] was HK$3,585 million, representing a growth of 15% over the previous year. At 31 December 2011, the leasing rate for the Group's core rental properties rose to 97%.

(Note: this figure includes that derived from the investment properties owned by the Group's subsidiaries (after deducting non-controlling interests), associates and jointly controlled entities)

Given continued growth in local consumption, as well as the ever-increasing number of mainland tourists purchasing international brands, Hong Kong's retail sales grew briskly in 2011. In response to market changes and to tap new opportunities, the Group staged innovative marketing activities, including organizing shopping tours for mainlanders and an increased adoption of multi-media promotional channels, to draw more shoppers to its shopping malls and boost tenants' business. These marketing efforts coupled with the advantageous locations near MTR stations make these shopping malls the preferred choice for many discerning retailers. For instance, Inditex, a global fashion group, has committed to a total gross floor area of 62,000 square feet at Metro City Phase II in Tseung Kwan O for its three well-known international brands, namely Zara which has opened already,

ifc complex, Central, Hong Kong

Bershka and Pull & Bear, which are due to open consecutively in 2012, whilst H & M Hennes & Mauritz Limited, another global fashion group, has also committed to a total gross floor area of over 53,000 square feet at this mall for its well-known international brand, H & M which is due to open in mid-2012. The whole Skyline Plaza, a 4-level shopping mall in Tsuen Wan with a total gross floor area of over 150,000 square feet, was leased to a famous department store, which will open for business and provide one-stop shopping convenience in 2012. Consequently, most of the Group's shopping malls, ranging from ifc mall in Central to regional shopping centres in new towns, recorded nearly full occupancy by the end of the financial year.

On the back of persistent demand growth, driven by business expansion and new corporate set-ups particularly in the first half of the year, coupled with limited new office supply, the Group's premier office developments in the core areas, such as the ifc in Central, AIA Tower in North Point as well as ING Tower and Golden Centre in Sheung Wan, have all performed well with increased rents for both renewals and new lettings. In the up-and-coming commercial hub of Kowloon East, the Group's approximately 2,000,000-square-foot portfolio of premium office and industrial premises benefitted from the trend of office decentralization with the overall leasing rate surging from 87% at 31 December 2010 to 98% at 31 December 2011. Manulife Financial Centre in Kwun Tong, which set a new benchmark for green office buildings in decentralized areas by achieving the top "platinum" rating in the Hong Kong Building Environmental Assessment Method (HK-BEAM) in February 2011, was 98% let by the end of the financial year.

The Group's deluxe serviced suite hotel at Four Seasons Place continued to achieve high occupancy and increased rents, whilst luxury residences such as Eva Court and 39 Conduit Road at Mid-Levels also recorded satisfactory leasing performance.

The Group continuously improves accessibility and facilities at its investment properties so as to better serve the community and enhance their rental values. Metro City Phase II in Tseung Kwan O, which was ranked First by the Hong Kong Federation of the Blind, Centre for Social Policy Studies of The Hong Kong Polytechnic University and few other charitable organizations for the disabled in Barrier-Free Assessment Visit 2011, is undergoing a revamp and the first phase of renovation works will be completed in the first quarter of 2012. The second phase of renovation commenced in December 2011 and will be completed by the end of 2014. For the Trend Plaza in Tuen Mun, renovation to the external wall of its North Wing will also be completed in mid-2012 following the recent completion of a facelift at its South Wing. The first phase of refurbishment at Sunshine City Plaza in Ma On Shan is progressing well, whilst the planning of renovation works for City Landmark I in Tsuen Wan and AIA Tower in North Point is currently in the pipeline. For AIA Tower in North Point, acquisition of its remaining 5.44% interest was completed in September 2011, allowing the Group to benefit in full from its future major revamp.

Mira Moon, Wanchai, Hong Kong (artist's impression)

Hotel and Retailing Operations

Hong Kong's hospitality industry posted a remarkable growth in 2011 with visitor arrivals reaching a record high of around 42 million. The Four Seasons Hotel, which was widely recognized as the market leader in town, continued to win numerous prestigious accolades such as Forbes Five-Star Award for Hotel and top 3-star honours in the 2011 Michelin Guide for its signature Caprice and Lung King Heen restaurants. As a result, it enjoyed a further increase in occupancy against a higher average room rate during the year. Meanwhile, the Group also owns and manages the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel. Benefitting from the ever-increasing number of mainland tourists, who accounted for over 60% of their total customers, the Group's three Newton hotels have all achieved a double-digit increase in average room rates with a higher occupancy of over 80%. The Group is developing a new boutique hotel, Mira Moon, at 388 Jaffe Road, Wanchai and upon its scheduled completion in the second quarter of 2012, it will be operated by The Mira Hong Kong and 91 luxurious suites will be added to the Group's hotel portfolio. For the year ended 31 December 2011, the profit contribution[Note] from the Group's hotel operations increased by 108% to HK$325 million. (Note: this figure includes that derived from the hotels owned by the Group's subsidiaries, associates and jointly controlled entities)

Established in 1989 as a complementary business to the Group's shopping facilities, Citistore's retailing operation has developed into a network of five department store outlets and two "id:c" specialty stores in Hong Kong. Given improvement in both local consumption and visitor spending, Citistore recorded a satisfactory growth of 20% in pre-tax profit against a 13% increase in turnover. Meanwhile, the Group continued to hold interests (7.41% at 31 December 2011) in Intime Department Store (Group) Company Limited (stock code: 1833), which is a renowned department store chain operating and managing 27 department stores and shopping centres across major cities in mainland China.

Construction and Property Management

The Group cares for the environment and supports sustainable development for the benefit of future generations. As part of this pledge, inter-departmental communication and stakeholder engagement are always encouraged so as to ensure that local context, innovative architecture and sustainability features are perfectly blended into all of the Group's new developments in both Hong Kong and mainland China. In the construction process, energy-efficient and eco-friendly features recommended by the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM) Plus have been persistently integrated. For instance, pre-fabricated building components are now commonly used so as to raise efficiency by accelerating development progress for better quality control, whilst minimizing construction waste and disruption to the neighbourhoods. During the year, the Group's projects emerged as the first batch of developments in Hong Kong to achieve a China Green Building Label (GBL), which calls for reduced energy consumption at site works, re-use of local natural resources and the recycling of construction waste for better environmental management.

The Group's attention to every detail throughout the different stages of construction has also been extended to its developments in mainland China. In addition to its tight grip over all key aspects of development such as selection of main contractors and subcontractors, material sourcing and tender awarding, the Construction Department also maintains an ongoing dialogue with contractors and conducts on-site inspections so as to ensure that all the mainland projects are completed on schedule, within budget and in line with the Group's stringent environmental and quality requirements. In July 2011, accreditation as the "Main Contractor of Housing Construction (Level III)" was received from Beijing Municipal Commission of Housing and Urban-Rural Development, enabling the Group's Construction Department to take a more active role in mainland property development in future.

The Group's member property management companies, Hang Yick Properties Management Limited ("Hang Yick"), Well Born Real Estate Management Limited ("Well Born") and Goodwill Management Limited, collectively manage around 76,000 apartments and industrial/commercial units, 7.9 million square feet of shopping malls and office space and 18,000 car parking units in Hong Kong.

Hang Yick and Well Born also provide their quality property handover and management services to the Group's property developments in mainland China. Serving a total of about 5,000 mainland apartments, they have gained wide recognition for their excellent services. Hengbao Huating and Hengli Wanpan Huayuan, for instance, were both accredited as a "Community Showcase in Guangdong Province" and "Community Showcase in Guangzhou".

The Group's Construction and Property Management Teams were on the frontline throughout the year to fulfil the Group's pledge of providing green efforts and care to the community. Consequently, the Construction Department earned numerous accolades during the year including "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government, as well as "Construction Environmental Award – Merit" and "Proactive Safety Contractor Award" from The Hong Kong Construction Association, whilst the Property Management Teams also won nearly 700 performance-related accolades in addition to widespread recognition for their advocacy of care and love in this Year of Care. Their unflagging efforts will be elaborated in the "Sustainability and CSR" section of the Annual Report.

Business Review - Mainland China

In view of the worsening global economy, the Central Government continually fine-tuned its austerity measures in 2011 to cool the mainland property market. Both administrative and economic initiatives, including restrictions on quantity of home purchase, amount of mortgage, unit price and unit size, were adopted in curbing housing demand. Such measures gave rise to a sharp decline in transaction volume. In the wake of the tightened credit, many mainland developers traded price for volume, thus depressing the home prices further.

Housing was still in great demand in mainland China. In those second and third-tier cities in which the Group has residential development projects, with many infrastructural projects and transport facilities such as highways, high-speed rails, community amenities and greenery projects gradually being completed, the environment has much improved. Besides, the Group's projects in China boast distinctive design plans, full-range facilities, superb building quality and proficient property management, targeting end-users of medium to high-end residences. Such projects are highly sought after and earned acclaim in the market.

As a result of the austerity measures, the majority of home buyers were end-users, who were much concerned about the building quality and details of a development. Therefore, the Group stepped up the promotion of its quality brand-name and refined its marketing campaigns, whilst making appropriate adjustments to its sales-force. Turning to property management, the Group always, where local regulations allow, provides its own property management services to its mainland developments. For those projects which require property management services to be outsourced, the Group's property management team still renders its close supervision.

The Group has strengthened its supervision and management over its mainland projects in the midst of the market downturn. To improve its competitiveness, the Group has been streamlining its manpower structure and slashing superfluous spending to control costs while also standardizing building design to shorten development time.

The Group's leasing team in mainland China has become experienced at soliciting and interacting with tenants. Several global brands were successfully encouraged to become core tenants and are expected to emerge as the Group's strategic partners in future. With the new leasing team on board, the mainland shopping arcades are now under innovative transformation, with emphasis on positioning, environmental intelligence, technological quality, as well as meticulous management and attentive services.

The following development projects were completed during this financial year:

	Project name	Land-use purpose	Group's interest (%)	Approximate attributable gross floor area (sq.ft.)
1.	Phase 1, Arch of Triumph, Changsha	Residential	99	676,400
2.	Phase 1A, Villa Green, Chongqing	Residential	100	521,500
3.	Phase 1A, La Botanica, Xian	Residential	50	590,600
			Total:	**1,788,500**

By the end of 2011, the Group had nearly 1,000,000 square feet in attributable gross floor area of completed stock remaining unsold in mainland China.

Meanwhile, the Group joined a number of leading enterprises across the Straits to establish Straits Construction Investment (Holdings) Limited ("Straits Construction"). In March 2011, Straits Construction bought two prime sites, which were located at Nanjing Hexi New Town of Jiangsu Province and Fuzhou Pingtan Integrated Pilot Area of Fujian Province respectively, at an aggregate consideration of US$850 million. The Nanjing project will be developed into office buildings with a total gross floor area of approximately 9,190,000 square feet against a site area of approximately 3,380,000 square feet. For the Pingtan project, a 8,230,000-square-foot land lot will be developed into an integrated business community with a total gross floor area of approximately 17,600,000 square feet. The Group held a 10% stake in Straits Construction.

At the end of December 2011, the Group had a development land bank in mainland China amounting to 151.2 million square feet in attributable developable gross floor area, of which around 83% was planned for residential developments for sale:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq.ft.)
Prime cities		
Shanghai		1.1
Guangzhou		14.2
	Sub-total:	**15.3**
Second-tier cities		
Anshan		17.9
Changsha		14.5
Chengdu		4.0
Chongqing		6.0
Dalian		10.3
Fuzhou		1.7
Nanjing		3.4
Shenyang		17.3
Suzhou		17.0
Tieling		8.7
Xian		20.1
Xuzhou		5.3
Yixing		9.7
	Sub-total:	**135.9**
	Total:	**151.2**

** Excluding basement areas and car parks*

Usage of development land bank

		Developable gross floor area (million sq.ft.)	Percentage (%)
Residential		125.7	83
Office		11.4	8
Commercial		9.7	6
Others (including clubhouses, schools and community facilities)		4.4	3
	Total:	**151.2**	**100**

Property Sales

During the year, the Group sold and pre-sold an attributable HK$1,905 million worth of mainland properties, a significant increase of 47% over the previous year. Projects launched included "La Botanica" and "Palatial Crest" in Xian, "Villa Green" and "Grand Waterfront" in Chongqing, "Riverside Park" in Suzhou, "Emerald Valley" in Nanjing, "The Arch of Triumph" in Changsha and Xuzhou Lakeview Development. At 31 December 2011, the cumulative amount of mainland properties pre-sold attributable to the Group totalled HK$2,527 million and they will be reflected in the results for the coming financial years, when these developments are completed and delivered to buyers.

Investment Properties

As at the year end date, the Group had 6.5 million square feet of completed investment properties in mainland China: mainly offices and shopping malls in the prime locations in Beijing, Shanghai and Guangzhou. During the year under review, the Group's attributable gross rental income and net rental income increased by 91% to HK$916 million and by 149% to HK$584 million, respectively.

In Beijing, World Financial Centre recorded a 170% growth in rental income to HK$330 million with a leasing rate exceeding 90% at 31 December 2011. Being the only property in this capital city to have achieved the highest possible "Platinum" rating from both the United States Green Building Council's LEED and HK-BEAM, many famous financial institutions and multinational corporations were attracted as its new office tenants. They included Rabobank, CITIC Prudential Insurance Company, British Petroleum and Shell China, whilst Michelin-starred Cantonese restaurant "Cuisine Cuisine" from Hong Kong has also established a presence on the commercial podium. Meanwhile, for the shopping mall at Beijing Henderson Centre, leasing performance was equally encouraging after the opening of a large-scale gourmet hall and an upscale supermarket in its basement floors.

In Shanghai, the grand opening of Henderson Metropolitan on 11 November 2011 underscored this city's growing importance to the Group. Occupied by many Fortune 500 companies such as Oracle, Mitsubishi, Lufthansa and Dentsu, its super Grade-A office space of over 400,000 square feet has been fully let, whilst its 400,000 square feet of retail space was also highly sought-after by many branded retailers as it is conveniently located at the start of the Nanjing Road East pedestrian avenue with direct access to subway station from the building basement. The most prominent stores included Apple's largest flagship outlet in Asia, as well as China flagship stores of Sasa and Azul by Moussy. During the year under review, a total rental income of HK$156 million was recorded by this project. Meanwhile, Grand Gateway Office Tower II atop Xujiahui subway station also houses many multinational corporations such as Microsoft, Adidas, Tesco and Yum! Brands Inc and its leasing rate at the end of 2011 was 99%. Centro, which was awarded a Gold LEED rating and Platinum BEAM rating, was fully let at 31 December 2011, whilst the pre-leasing response for its neighbouring Greentech Tower was also enthusiastic, with many world-renowned companies looking to lease sizeable area in this environmentally friendly and technologically advanced development. Greentech Tower was completed on 13 January 2012, expanding the Group's mainland rental portfolio to 6.9 million square feet. In their vicinity, Skycity in the same Zhabei District also achieved full occupancy for its 4-level shopping arcade at 31 December 2011.

In Guangzhou, Heng Bao Plaza recorded a 23% growth in rental income with over 95% leasing rate by the end of 2011.

Grand Opening of Henderson Metropolitan, Shanghai

Joint-Venture Development in Macau

In April 2005, the Group entered into an agreement to jointly develop a large-scale waterfront development with a site area of approximately 1.45 million square feet in Taipa, Macau. The project is subject to application for land-use conversion with the total gross floor area to be finalized.

Henderson Investment Limited ("HIL")

For the year ended 31 December 2011, HIL's turnover amounted to HK$299 million, representing a decrease of HK$18 million, or 6%, compared to HK$317 million for the previous year ended 31 December 2010. Such decrease in turnover is mainly attributable to the period-on-period decrease of approximately 25% in the average monthly traffic volume of the toll bridge in Hangzhou, which was HIL's core asset, during the period from 1 July 2011 to 31 December 2011. This was due to (i) accidental damage to one of the link bridges of the toll bridge on 15 July 2011 which resulted in the four lane two-way traffic being temporarily reduced to two lanes of two-way traffic in the affected area of the toll bridge until the toll bridge was fully open to traffic, effective from 1 October 2011; and (ii) the implementation by Hangzhou Municipal Government of certain new policies which control the traffic flow of vehicles during certain peak hours each day, effective from 8 October 2011.

Profit attributable to equity shareholders for the year ended 31 December 2011 amounted to HK$108 million, representing a decrease of HK$55 million or 34% from HK$163 million for the year ended 31 December 2010. The decrease in profit was attributable to the fact that in the previous year, a total profit of HK$39 million was received from certain one-off items which included a net gain of HK$26 million from the disposal of a toll highway in Maanshan, Anhui Province.

HIL has a 60% interest in Hangzhou Henderson Qianjiang Third Bridge Company Limited ("the Joint Venture Company") which has been granted the operating right of the above-mentioned Qianjiang Third Bridge for a period of 30 years from 20 March 1997 (commencement date of bridge operation). This project was approved by Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee)(發展和改革委員會(前稱為國家發展計劃委員會)) in 1999. The General Office of the People's Government of Zhejiang Province notified Zhejiang Province Department of Communications and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of Qianjiang Third Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012). The Joint Venture Company immediately took action for clarification and had obtained from the Hangzhou Municipal Bureau of Communications a written pledge that the operation period for 30 years would remain unchanged and they were also of the view that the operating right and the toll fee collection right should be for a same period. For the sake of reassurance, the Joint Venture Company wrote to the People's Government of Zhejiang Province and Zhejiang Province Department of Communications (collectively the "Authorities") in June 2011 requesting for their confirmation that both the operating right and the toll fee collection right last for a same period of 30 years. Since June 2011 when the Joint Venture Company wrote to the Authorities requesting for the confirmation, the Joint Venture Company has been chasing after the relevant government officials on several occasions, but no reply had been received from the Authorities for over six months. The Joint Venture Company therefore decided to take one further step and on 9 February 2012 filed with Legislative Affairs Office, the People's Government of Zhejiang Province an administrative reconsideration application. The application was to seek an order to oblige the Authorities to carry out their statutory duties to officially confirm that the toll fee collection right of the Qianjiang Third Bridge should be for a period of 30 years. Whilst HIL was still waiting for the result of the application, the Joint Venture Company on 20 March 2012 received a letter dated 18 March 2012 from 杭州市城市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou to record the traffic flow and make payment of toll fee of the Qianjiang Third Bridge pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Joint Venture Company and the Hangzhou Toll Office. In the letter, the Hangzhou Toll Office stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of Qianjiang Third Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of Qianjiang Third Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement, continue to record the traffic flow of Qianjiang Third Bridge and work with the Joint Venture Company. The Joint

Venture Company has been instructed by HIL to write to the Hangzhou Toll Office to state that the action taken by the Hangzhou Toll Office has no legal or contractual basis and is unacceptable and to ask the Hangzhou Toll Office to clarify the basis of their action and to continue to perform their obligations under the Collection Agreement, failing which the Joint Venture Company would have no alternative but to take legal actions to protect its interest.

HIL has obtained legal opinion from an independent PRC law firm and has received firm advice that the toll fee collection right enjoyed by the Joint Venture Company should be for the same period of 30 years as the operating right enjoyed by the Joint Venture Company. Based on such advice, amortization and calculation of the recoverable amount of the intangible operating right in the preparation of the consolidated accounts of HIL for the year ended 31 December 2011 are on the basis that both the operating right and the toll fee collection right of the Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to the response of the Authorities and whether they would ultimately confirm that the toll fee collection right of the Qianjiang Third Bridge should be for a period of 30 years. HIL will continue to negotiate with the Authorities and take all necessary actions to protect its interest. If the Authorities confirm that the toll fee collection right of the Qianjiang Third Bridge should last for a period different from the period of the operating right and/or the Authorities negotiate other arrangements with HIL (such as buying out HIL's interest in Qianjiang Third Bridge or paying compensation to HIL), all of which are still uncertain, HIL would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right.

Currently, the operating assets of HIL comprise its interest in the Qianjiang Third Bridge. If HIL ceases to have an economic interest in the Qianjiang Third Bridge, the directors of HIL would, if appropriate opportunity arises, identify suitable investments for HIL. In the event that no suitable investments are identified and acquired by HIL, its assets would consist substantially of cash. As a result, The Stock Exchange of Hong Kong Limited may consider that HIL does not have a sufficient level of operations or sufficient assets to warrant the continued listing of HIL's shares and may suspend dealings in or cancel the listing of the shares.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Profit after taxation attributable to shareholders of this group for the year amounted to HK$6,149.6 million, an increase of HK$564.8 million compared to 2010 mainly due to growth in profit of mainland businesses. During the year under review, this group invested HK$4,725.1 million in production facilities, pipelines, plants and other fixed and intangible assets.

Gas business in Hong Kong

The total volume of gas sales in Hong Kong for the year 2011 rose by 2.1%, whilst appliance sales also increased by about 8% compared to 2010. As at the end of 2011, the number of customers was 1,750,553, an increase of 26,237 compared to 2010. Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is expected to be substantially completed within 2012. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also in progress. In tandem with the government's development of West Kowloon, South East Kowloon and a cruise terminal, network planning, design and construction in these locations are underway. Construction of a new submarine pipeline from Ma Tau Kok to North Point will commence in 2012. Meanwhile, new gas mains have been laid to Lei Yue Mun.

Utility businesses in Mainland China

At the end of December 2011, this group had an approximately 66.18% interest in Towngas China Company Limited ("Towngas China"; stock code: 1083), whose profit after taxation attributable to its shareholders amounted to HK$709 million in 2011, an increase of approximately 62.6% over 2010. In 2011, Towngas China acquired five new projects located in Xiushui county and Wuning Industrial Park, both in Jiujiang, Jiangxi province; in Miluo, this group's first in Hunan province; in Bowang New District, Maanshan, Anhui province; and in Beipiao, Liaoning province.

This group's city-gas businesses progressed well in 2011, with two new projects successfully established in Chaozhou, Guangdong province and Jingxian county, Hengshui, Hebei province. Inclusive of five new projects established by Towngas China in 2011, this group had 100 city-gas projects in mainland cities spread across 19 provinces/municipalities/autonomous regions as at the end of 2011. During the year under review, the number of gas customers on the mainland reached approximately 13.2 million and total volume of gas sales also exceeded ten billion for the first time, attaining 10,300 million cubic metres. This group is now the largest city-gas enterprise on the mainland.

This group's midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province, Hangzhou, Zhejiang province and Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; and a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province.

During the third quarter of 2011, this group added a second integrated wastewater treatment project, for a special industry, to its existing integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. Together with water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, this group has so far invested in and operates four water projects.

Emerging environmentally-friendly energy businesses

This group's development of emerging environmentally-friendly energy projects, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), is progressing well.

ECO's coalbed methane and non-conventional methane utilisation businesses have been developed based on the technology and operational experience gained from its landfill gas utilisation project which has been successfully operating in Hong Kong for several years. Since 2008, ECO has been developing similar clean and environmentally-friendly energy projects on the mainland. A coalbed methane liquefaction facility located in Jincheng, Shanxi province was fully commissioned during the first quarter of 2011. The annual production capacity of the whole facility is 250 million standard cubic metres of liquefied coalbed methane. The facility has now become the largest liquefaction and utilisation project of its kind on the mainland.

ECO's coal-mine methane liquefaction project in Yangquan mining district, Shanxi province, is progressing as scheduled; construction is expected to commence in 2012 for commissioning in the first quarter of 2014. Coal-mine gas, which typically contains about 40% methane, will be used to produce liquefied methane by deploying coal-mine gas deoxidisation and coalbed methane cryogenic liquefaction technologies. This project has an estimated annual production capacity of about 80 million standard cubic metres.

ECO started to develop coal resources and coal chemical processing businesses in 2009. ECO has constructed a methanol production plant, with an annual capacity of 200,000 tonnes, in Junger, Erdos, Inner Mongolia. The plant is now at the pilot production stage and is expected to be fully commissioned in mid-2012. Construction of ECO's Xiaoyugou coal mine, which is associated with the methanol production plant, is also complete and pilot production started in early 2012. ECO acquired an operative open-pit coal mine in Inner Mongolia in September 2011 and this is now starting to contribute additional profits. ECO's coking coal mine and coking plant project in Fengcheng, Jiangxi province, is also on schedule; commissioning is expected in 2012. The main product, coke, will be used for refining steel, and its by-product, coke oven gas, will provide an additional gas source for this group's Fengcheng city-gas project.

ECO's energy-related logistics and facilities businesses originated from its five dedicated liquefied petroleum gas vehicular filling stations in Hong Kong. ECO started its gas filling station business on the mainland in 2008. Since then, ECO has gradually established a network of compressed and liquefied natural gas filling stations servicing heavy-duty trucks in Shaanxi, Shandong, Liaoning, Henan and Anhui provinces.

ECO's aviation fuel facility in Area 38, Tuen Mun, servicing Hong Kong International Airport, is operating smoothly. The facility supplied over 5 million tonnes of aviation fuel to the airport in 2011. Jetties are available for berthing large-scale tankers and for unloading these tankers' aviation

ECO Environmental Investments Limited (ECO)'s Aviation Fuel Facility in Tuen Mun fuel. ECO's facility, with a total storage capacity of 264,000 cubic metres, is now a major logistics base for supply of aviation fuel in Hong Kong.

ECO has also started a coal logistics business and to this end has set up logistics platforms in important coal distribution areas such as Qinhuangdao, Hebei province and Dandong, Liaoning province from which to launch its operations. ECO is also investing in the construction of an inland coal and bulk cargo logistic port in Jining, Shandong province to connect an upstream dedicated coal transportation railway with a downstream canal running to eastern China. The logistic port, with an annual throughput of 10 million tonnes, is expected to be commissioned in 2012.

ECO set up a new-energy research and development centre in 2010 focusing on related application technologies. The centre has achieved good progress in developing innovative technologies for converting materials of low value, such as non-edible oil and coal tar oil, into clean fuel and substances of high value.

Overall, as at the end of 2011, inclusive of the projects of Towngas China, this group had 138 projects on the mainland, 18 more than that in 2010, spread across 21 provinces/municipalities/autonomous regions and encompassing upstream, midstream and downstream natural gas sectors, water supply and wastewater treatment sectors, natural gas vehicular filling stations, environmentally-friendly energy applications, energy resources, logistics businesses and telecommunications.

Property developments

All residential units of the Grand Waterfront property development project located at Ma Tau Kok south plant site had been sold by the end of December 2010, whereas those of Grand Promenade had also been sold by the end of the first quarter of 2011. Leasing of the commercial area of the Grand Waterfront property development project is good. Rental demand for the shopping mall and office towers of IFC complex, in which an approximately 15.8% interest is held by this group, continues to be robust. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and rental serviced apartments, remains high.

Financing programmes

In February 2011, this group concluded a HK$3,800 million 5-year syndicated term loan and revolving credit facility, mainly for refinancing a HK$3,000 million inaugural syndicated facility, taken up in 2006, and for its business development. The facility carries an interest margin of 0.49% per annum over HIBOR.

This group issued its first renminbi-denominated notes in Hong Kong in late March 2011 with a total amount of RMB1,000 million for a term of five years at a coupon interest rate of 1.4% (the "RMB Notes"). This group is the first company among Hang Seng Index Constituent Stocks in Hong Kong to raise funds through the offshore renminbi debt capital market. Inclusive of the RMB Notes, this group has issued medium term notes with, up to now, an aggregate amount equivalent to HK$6,070 million under its medium term note programme.

In April 2011, Moody's Investors Service upgraded both Towngas China's issuer and senior unsecured bond ratings from Baa3 to Baa2 with a stable outlook.

In 2011, Standard & Poor's Ratings Services launched the first credit rating benchmark developed especially for the region to assign credit ratings to borrowers active in mainland China, Hong Kong, and Taiwan (including the fast-growing offshore renminbi debt market). Hong Kong and China Gas was assigned the highest rating of cnAAA, whilst Towngas China was assigned cnA under this Greater China long-term credit rating scale.

This group predicts an increase of about 25,000 new customers in Hong Kong during 2012 and the combined results of its emerging environmentally-friendly energy businesses and mainland utility businesses will overtake the results of its Hong Kong gas business in 2012, and will have faster growth momentum than its Hong Kong gas business thereafter.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

This group's turnover for the year ended 31 December 2011 amounted to approximately HK$635 million, representing a decrease of 30% when compared to the previous year. This was mainly attributed to the decrease in the sales of the Shining Heights and The Spectacle. Its consolidated profit after taxation amounted to approximately HK$565 million, an increase of 17% as compared with the profit after taxation of HK$483 million in 2010.

This group sold 30 units in The Spectacle and 7 units in Shining Heights which accounted for a total profit of approximately HK$156 million for the year under review. A profit of HK$37 million was derived from the disposal of certain units of the commercial arcade of MetroRegalia. Rental and other income from its commercial arcade amounted to approximately HK$50 million. The occupancy rate of the commercial arcade at Shining Heights was 93%. The commercial arcade of Metro Harbour View was fully let.

The foundation works of the development project at Fanling Sheung Shui Town Lot No. 177 ("Fanling project") have been completed. Superstructure works are in progress. The property will be developed into three residential towers built on a two-storey shopping podium mall with a total gross floor area of approximately 540,000 square feet.

As regards the project at 204-214 Tung Chau Street, demolition works have been done and superstructure works will commence at the end of the year. The project will be redeveloped into a commercial-cum-residential building with a total gross floor area of approximately 54,000 square feet.

This group acquired the site at the junction of Gillies Avenue South and Bulkeley Street Hung Hom Inland Lot No. 555 in 2011. Foundation works will commence upon the completion of demolition works. The project will be developed into a commercial-cum-residential building with a total gross floor area of approximately 56,000 square feet.

During the year, the Harbour Cruise Operations achieved a profit of HK$4.7 million, representing a 15% increase over that of last year. Ferry Operations recorded a profit of HK$4.7 million, a decrease of 36% as compared with the profit for last year. Due to the provision for bad debts and the increased operating costs incurred on annual drydock of the ferries, the Ferry, Shipyard and Related Operations recorded a profit of only HK$5.5 million, a decrease of 44% as compared with the same period of last year.

During the year under review, this group achieved a profit of HK$245 million upon the disposal of Silvermine Beach Hotel. The Travel Operations Division registered an increase of 29% in its operating profit as compared with that for last year. Meanwhile, an impairment loss of HK$45 million was recorded in its available-for-sale securities investment during the year.

This group expects the residential units of the Fanling project to be sold in the second half of this year. The sales proceeds from this project and the remaining units of Shining Heights and The Spectacle are expected to be its main sources of revenue.

Miramar Hotel and Investment Company, Limited ("Miramar")

For the financial year ended 31 December 2011, Miramar's turnover amounted to approximately HK$2,496 million, representing an increase of 18% as compared with 2010. Profit attributable to shareholders posted a growth of 69% to approximately HK$1,325 million (2010: HK$784 million). Excluding the net increase in the fair value of its investment properties, underlying profit attributable to shareholders for 2011 was approximately HK$411 million (2010: HK$378 million), representing a year-on-year increase of 9%.

Miramar operates five core businesses, namely Hotel and Hotel Management business, Property Rental business, Food and Beverage business, Travel business and the newly-developed Apparel Retail business.

Occupancy rate for The Mira Hong Kong (The "Mira"), its flagship hotel, rose from 80% in 2010 to 83% in the year and average room rate posted a growth of 19% from HK$1,470 to HK$1,760. EBITDA (earnings before interest, taxes, depreciation and amortization) of The Mira grew 52% to reach approximately HK$206.5 million. In 2011, it obtained the hotel management project for a boutique hotel in Wan Chai. The boutique hotel, which is currently under construction, will be operated under the brand name of "The Mira" and is expected to commence operation in 2013. The boutique hotel offers a total of approximately 100 guest rooms.

For this year, overall income of Property Rental Business recorded a growth of 15% over that of 2010. At the end of 2011, occupancy rate of Miramar Shopping Centre was approximately 100% and average unit rate also recorded a mild increase. With the completion of work in the first half of 2011, Grade A office building of Miramar Tower also achieved approximately 100% occupancy rate at the end of 2011 with average unit rate slightly increased as compared to 2010. The refurbishment work in the shopping centre at The Mira was completed in the fourth quarter of 2011.

Miramar operates Tsui Hang Village restaurants, Sichuan restaurant named Yunyan Sichuan Restaurant, Cuisine Cuisine and The French Window that are located at IFC, as well as three new restaurants, namely Hide-Chan Ramen (a popular Japanese Ramen restaurant), Saboten (a traditional Japanese pork cutlet restaurant) and Assaggio Trattoria Italiana (an Italian restaurant) which commenced operation during the year.

Miramar introduced its successful brand "Cuisine Cuisine" to the mainland China market. The first Cuisine Cuisine is located in the Central Business District of Chaoyang district, Beijing and was opened in September 2011. Varnishing and decoration of the other Cuisine Cuisine in Wuhan was completed and is expected to commence operation in April 2012. During the year, two Tsui Hang Village restaurants were temporarily closed for renovation. This, together with the write-off of pre-opening expenses of new restaurants, resulted in a loss for the overall Food and Beverage business.

Cuisine Cuisine in Beijing

Turnover of its Travel Business increased 7% to reach HK$1,055 million whilst EBITDA slightly dropped to approximately HK$25 million in 2011.

Miramar extended its reach to Apparel Retail Business in 2011 and became the distributor of DKNY Jeans in mainland China. At present, it owns and operates five DKNY Jeans stores in each of Shanghai and Beijing. In addition, it secured and engaged over 20 franchisees to operate DKNY Jeans franchised stores. At the end of 2011, there were over 40 stores operated by Miramar and franchisees. A negative EBITDA of approximately HK$4 million was sustained during the year.

Corporate Finance

During the year, the holding company of the Group, namely, Henderson Development Limited which is controlled by the private family trust of Dr Lee Shau Kee, made a capital investment of HK$10,000 million in exercising 172,414,000 warrants for the subscription of 172,414,000 shares in the Company at a price of HK$58 per share. This has significantly strengthened the capital base of the Company.

As at the year end date, the Group's gearing ratio was 19.9%, a significant drop when compared with 28.2% for the previous year. In order to provide additional funding resources to the Group to cater for its general funding and working capital requirements, the Group concluded a HK$10,000 million three-year syndicated term loan / revolving credit facility on 10 January 2011 with a consortium of 13 leading international banks and local financial institutions. The Group also signed up a HK$10,000 million five-year syndicated term loan / revolving credit facility on 22 June 2011 with a consortium of 17 leading international banks and local financial institutions. Overwhelming responses from the banking community and consecutive successful conclusions of these two large size syndicated credit facilities fully demonstrated the strong confidence and continuing support of international as well as local banks for the Group.

With the aim to further diversify the sources of funding and to enhance the Group's overall debt maturity profile, the Group established a US$3,000 million medium term note programme (the "MTN Programme") in August 2011. Since the establishment of the MTN Programme, the Group issued medium term notes of four years, five years and seven years in the Singapore domestic debt capital market for a total amount of S$600 million at coupon rates ranging from 3.65% to 4.00% and also issued five-year unrated public bonds for a total amount of US$700 million at a coupon of 4.75% which were sold to a wide spectrum of fixed-income investors that are mainly located in Hong Kong as well as in other parts of Asia. In addition, based on reverse enquiry generating from certain institutional fixed income investors, the Group also issued and distributed long term notes in Hong Kong Dollars through private placements with coupon rates fixed at 4.03% and 4.80% for notes of 10-year tenor and 20-year tenor respectively. Also, in March 2012, to take advantage of current market liquidity in the local money market, the Group issued HK$640 million two-year fixed rate bonds at a relatively low coupon rate of 2.16% to cater for and supplement its working capital requirement. In aggregate, the Group was able to obtain medium term and long term funding that amounted to the equivalent of over HK$11,000 million over a period of six months notwithstanding that unstable conditions have prevailed in the international financial markets since the establishment of the MTN Programme. Bond proceeds that originated from fixed income investors of diversified sources were applied towards refinancing certain existing short-to-medium term bank loan facilities of the Group.

Further, in light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past years, the Group has concluded and has outstanding at 31 December 2011 Hong Kong dollar interest rate swap contracts for terms ranging from three to fifteen years. Such contracts were entered into for the purpose of converting part of the Group's Hong Kong dollar borrowings from floating interest rates into fixed interest rates at levels which are well below the average for the past several years. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

Shortly after the end of the financial year, in respect of the International Finance Centre project jointly owned by the Group, a non-recourse 3-year term loan facility was signed in February 2012 for an amount of HK$10,000 million raised in the local syndicated loan market with favourable terms.

Prospects

The indication from The U.S. Federal Reserve to keep interest rates low until late 2014, as well as The European Central Bank's recent provision of massive low-interest loans to eurozone banks through a second round of long-term refinancing operations, led to a gradual stabilization of the financial markets. China's 2012 GDP growth target of 7.5% recently announced by the Central Government is regarded as a healthy and satisfactory goal. It is conducive to a positive development of the global economy if the U.S., in parallel, also re-ignites an economic recovery.

Looking ahead, given growing housing demand from both mainland and local residents, as well as the expected extension of the low interest rate environment, the Group remains optimistic about the prospects for Hong Kong's property market. Two sizeable developments, namely, the projects in Lok Wo Sha, Ma On Shan (Phase 1) and Tai Tong, Yuen Long will be put up for sale in 2012. Meanwhile, the Group has pushed ahead in earnest with the development of urban redevelopment projects. Among these, projects at 30-38 Po Tuck Street, 68 Boundary Street, 189-195 Sai Yeung Choi Street North and 186-188 Tai Po Road are now ready for sale or pre-sale in 2012. Together with the unsold stocks, a total of over 4,000 residential units will be available for sale this year and they are expected to bring significant revenue to the Group.

Turning to mainland China, both austerity and monetary policies are not expected to have significant changes in the first half of 2012. In the second half of 2012, however, it is likely there will be a slight relaxation of the monetary policy provided that the general price level is contained within a reasonable range and it could have a profound impact on the property market. Currently, the mainland property market is restrained by policy measures, which would be adjusted in line with changes in external environment. The Group's projects are all well positioned for sale so as to capitalize on emerging opportunities arising from market changes. For those second and third-tier cities, housing supply and home prices were relatively steady in the past. However, when infrastructural projects and transportation networks currently undertaken are completed, the increased pace of urbanization in those cities will drive up the housing demand.

On the property investment front, strong cross-border spending by mainland shoppers and business expansion by overseas companies will fuel further rental growth in Hong Kong. The Group's portfolio of shopping malls and offices, which boasts quality developments in both core areas and up-and-coming commercial hubs, is well placed to benefit from this market development and the Group's rental incomes are expected to maintain their upward trend. In mainland China, the gradual completion of new commercial projects will increase the Group's rental proceeds and provide additional recurrent cash flow. The Group's overall rental income for 2012 is set to grow considerably.

Founded in 1976, the Group has, over the past 35 years, built up a sizeable and diversified asset portfolio. According to the Group's accounts ended 31 December 2011, the net asset book value attributable to equity shareholders reached a record high of HK$185,000 million, translating into a net asset value per share of HK$78.23 which was more than double of its closing market price of HK$38.6 per share at the end of 2011. If the Group's investment in a listed associate, namely, Hong Kong and China Gas, had merely been valued based on its closing market price rather than its book value at the end of 2011, the net asset value attributable to equity shareholders should have increased by an additional amount exceeding HK$20,000 million.

Among all the listed associates, Hong Kong and China Gas accounted for the largest share of profit contribution. Its earnings increased by 10% during the year. It is expected to grow further in line with China's economic growth, with its promising mainland businesses overtaking its Hong Kong businesses. Meanwhile, the Group's total net rental income in Hong Kong and mainland China increased by 25% to approximately HK$4,170 million during the year. The earnings from Hong Kong and China Gas and rental property portfolio serve as a solid base for the Group's sustainable growth.

In addition, the Group held extensive land reserves for development. For its holding of around 40 urban redevelopment projects, the total gross floor area available for development amounted to 4.3 million square feet and about 6,000 housing units could be built. Meanwhile, the Group also held New Territories land reserves amounting to 41.9 million square feet, which included land lots of 9.1 million square feet in the future new development towns. If the allowed plot ratio for development in these future new development towns is 2 to 3 times, they are expected to provide a total gross floor area of 18 to 27 million square feet and about 30,000 to 45,000 housing units can be built. In mainland China, the Group had a land bank of approximately 151 million square feet in attributable gross floor area. As the development of the above projects gains pace, they are expected to provide the Group with handsome return and create abundant value for shareholders in the years ahead.

Appreciation

Executive Director and Chief Financial Officer, Mr Au Siu Kee, Alexander, was re-designated as a Non-executive Director on retirement with effect from 1 July 2011. I would like to thank him for his invaluable contribution during his tenure as Executive Director and Chief Financial Officer.

Sir Po-shing Woo resigned as a Non-executive Director on 29 February 2012 after serving on the Board for over 30 years since 1981. I would like to thank him for his support, devotion and invaluable contribution to the Company during such a long tenure.

Mr Woo Ka Biu, Jackson ceased to be an alternate to Sir Po-shing Woo upon Sir Po-shing Woo's resignation on 29 February 2012. I am delighted that he will continue to serve the Board as an Independent Non-executive Director with effect from 1 March 2012.

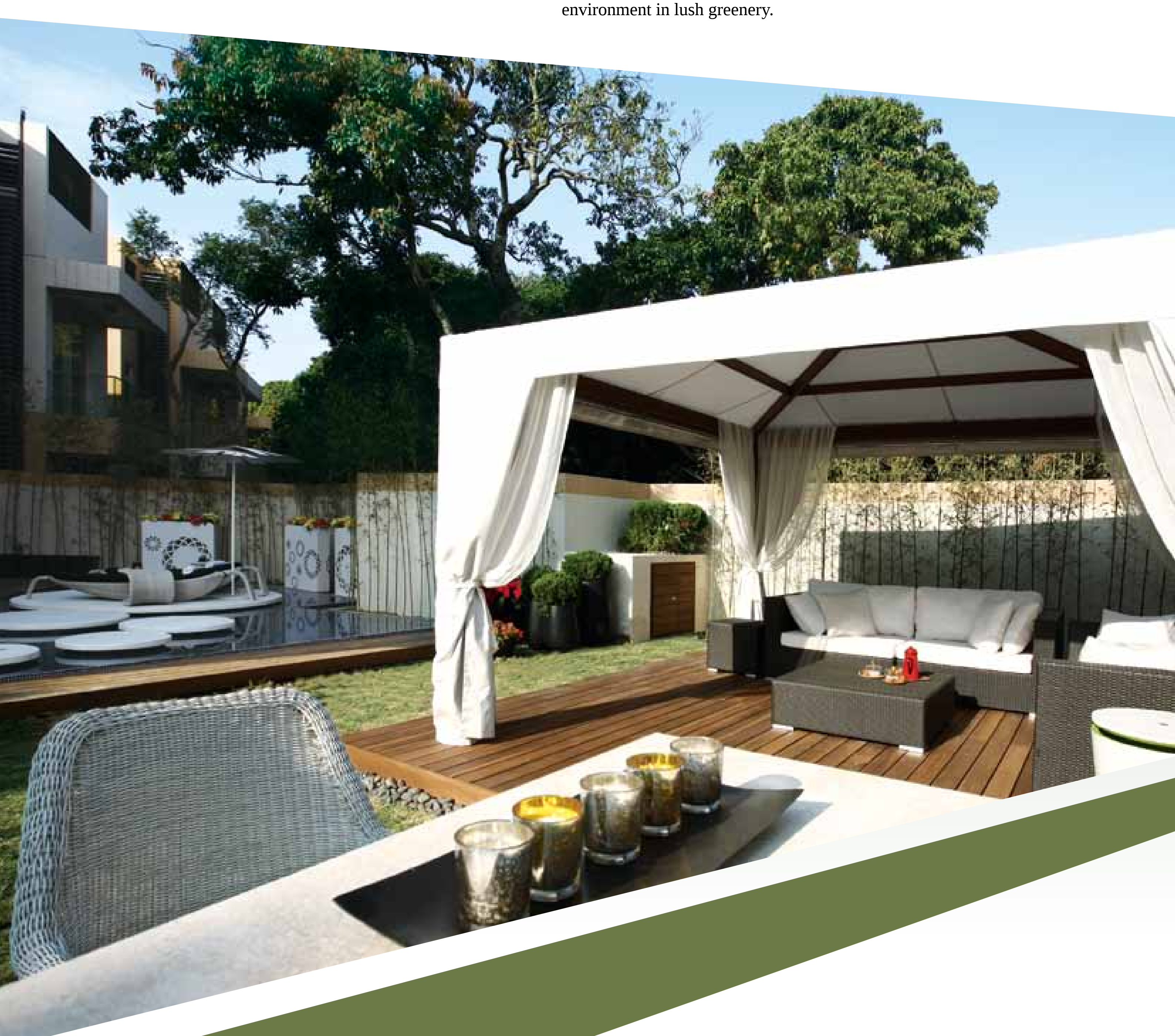
I would also like to take this opportunity to express my gratitude to my fellow directors for their full support, and to thank all our staff for their dedication and hard work.

Lee Shau Kee
Chairman

Hong Kong, 21 March 2012

BUILDING FOR THE BETTER

The Group always strives to maximize the aesthetic potential of development lots so as to integrate its projects into their surroundings harmoniously with minimal environmental impact. La Verte features 16 low-density townhouses and offers a contemporary urban living environment in lush greenery.




Land Bank

2011 Highlights

- Sizeable and diverse land bank with a total attributable gross floor area of 21.1 million square feet
- Secured 37 urban redevelopment projects with 80% ownership or above, providing a total attributable gross floor area of approximately 2.88 million square feet
- New Territories land reserve increased to 41.9 million square feet in site area – the largest holding among all Hong Kong property developers
- Progress made in land-use conversion with 123,000 square feet of residential space finalized with the Government

Newly acquired urban redevelopment projects with entire or majority ownership

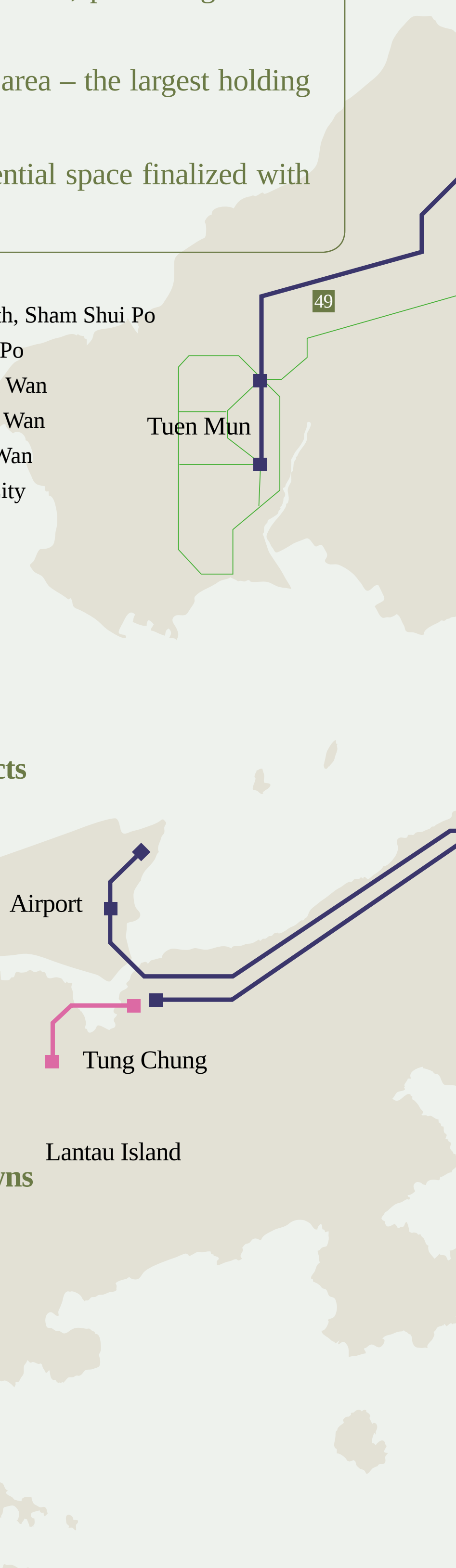
1 30-38 Po Tuck Street and 36 Clarence Terrace, Western District
2 45-49 Boundary Street and 189-195 Sai Yeung Choi Street North
3 186-188 Tai Po Road, Sham Shui Po
4 1-7A Gordon Road, North Point
5 75-81 Sa Po Road, Kowloon City
6 186-198 Fuk Wing Street, Sham Shui Po
7 59-63 Wing Hong Street and 88-92 King Lam Street, Cheung Sha Wan
8 25 Robinson Road, Mid-Levels
9 565-577 Fuk Wah Street, Cheung Sha Wan
10 23-33 Shing On Street, Sai Wan Ho
11 208-210 Johnston Road, Wanchai
12 352-354 Un Chau Street, Cheung Sha Wan
13 2-12 Observatory Road, Tsim Sha Tsui
14 62-72 Main Street, Ap Lei Chau
15 89-95 Shek Pai Wan Road, Aberdeen
16 11-33 Li Tak Street, Tai Kok Tsui
17 50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan
18 450-456G Queen's Road West, Western District
19 4-6 Tin Wan Street, Aberdeen
20 12-14 Tin Wan Street,Aberdeen
21 9-13 Sun Chun Street, Tai Hang
22 21-39 Mansion Street and 852-858 King's Road, North Point
23 19-21 Shing On Street and 15 Tai Shek Street, Sai Wan Ho
24 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan
25 38-40A Hillwood Road, Tsim Sha Tsui
26 456-462A Sai Yeung Choi Street North, Sham Shui Po
27 1-19 Nam Cheong Street, Sham Shui Po
28 342-348 Un Chau Street, Cheung Sha Wan
29 11-19 Wing Lung Street, Cheung Sha Wan
30 196-202 Ma Tau Wai Road, To Kwa Wan
31 79-83 Fuk Lo Tsun Road, Kowloon City
32 8-30A Ka Shin Street, Tai Kok Tsui
33 1-15 Berwick Street, Shek Kip Mei
34 21-27 Berwick Street and 212-220 Nam Cheong Street, Shek Kip Mei
35 3-4 Yiu Tung Street, Shek Kip Mei
36 7-8 Yiu Tung Street, Shek Kip Mei
37 7-7G Victory Avenue, Homantin

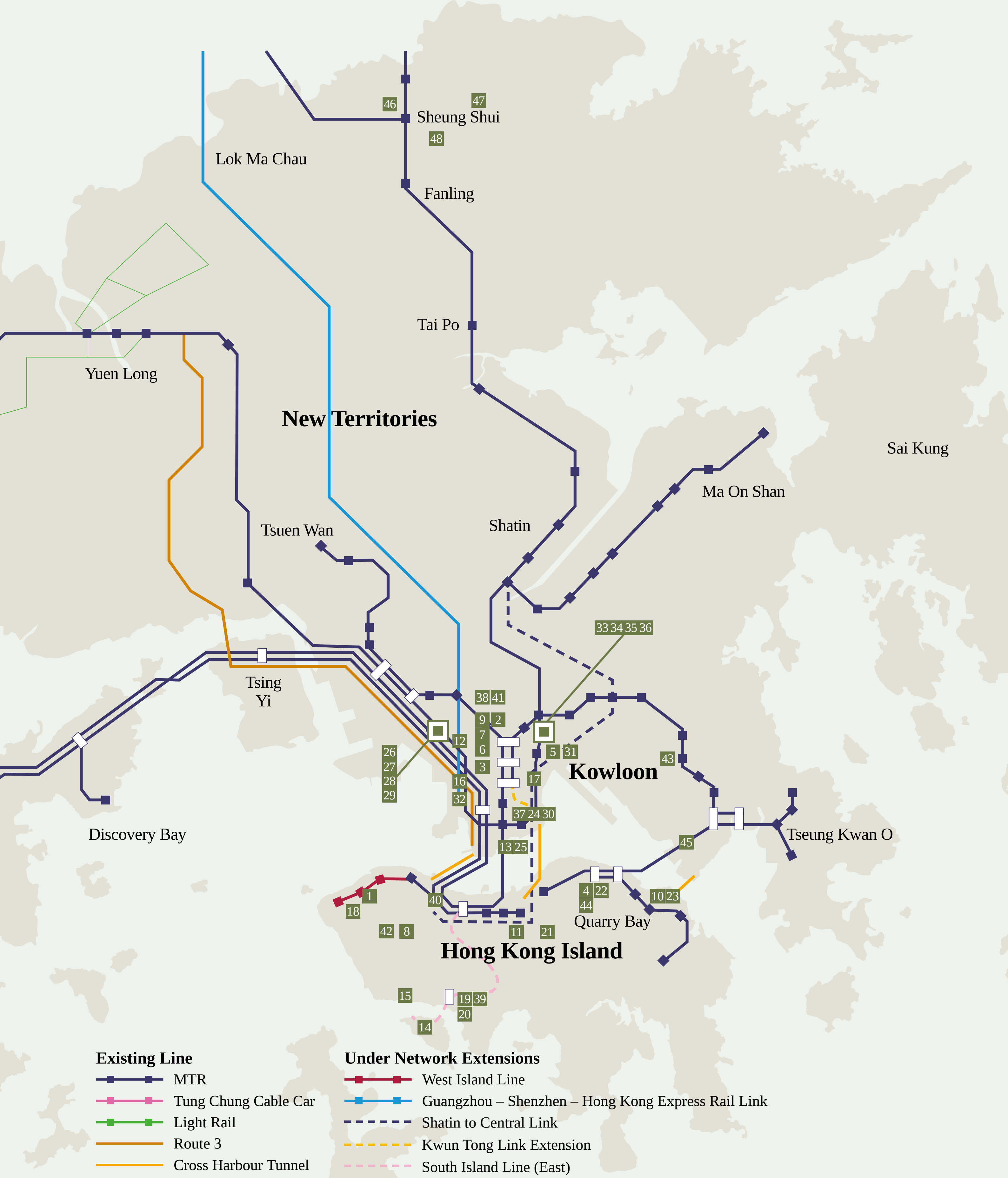
Existing redevelopment projects

38 68 Boundary Street
39 19-21 Wong Chuk Hang Road
40 45-47 Pottinger Street and Ezra's Lane, Central
41 25 La Salle Road, Kowloon Tong
42 29 Lugard Road,The Peak
43 8 Wang Kwong Road, Kowloon Bay
44 14-30 King Wah Road, North Point
45 Yau Tong Bay

Land sites situated in the Future New Development Towns

46 Wu Nga Lok Yeung
47 Ping Che
48 Kwu Tung North
49 Hung Shui Kiu





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Sheung Shui
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Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
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Discovery Bay
Tseung Kwan O
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4 22
44
10 23
Quarry Bay
42 8
11
21
Hong Kong Island
15
19 39
20
14
Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Under Network Extensions
West Island Line
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Link Extension
South Island Line (East)

At 31 December 2011, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 21.1 million square feet, made up as follows:

	Attributable gross floor area (million sq.ft.)
Properties held for or under development	10.2
Stock of unsold property	0.7
Completed investment properties *(Note)*	9.2
Hotel properties	1.0
Total:	**21.1**

Note: The Group held additional rentable car parking spaces with a total area of around 2.8 million square feet.

(I) Redevelopment of old buildings in the urban areas

Existing redevelopment projects

The Group had a total of 8 existing projects under planning for redevelopment or conversion into other purposes, which would provide about 1.43 million square feet in attributable gross floor area for commercial and residential use in the urban areas as shown in the table below:

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future development (sq.ft.)	Group's Interest (%)	Expected attributable gross floor area in future development (sq.ft.)
1.	68 Boundary Street, Kowloon	6,750	60,749	100.00	60,749
2.	19-21 Wong Chuk Hang Road, Hong Kong	14,298	214,467	50.00	107,233
3.	45-47 Pottinger Street and Ezra's Lane, Central, Hong Kong	9,067	94,190	19.10	17,986
4.	25 La Salle Road, Kowloon Tong, Kowloon *(Note 1)*	13,467	24,175	100.00	24,175
5.	29 Lugard Road, The Peak, Hong Kong	23,653	11,824	100.00	11,824
6.	8 Wang Kwong Road, Kowloon Bay, Kowloon *(Note 2)*	21,528	174,789	100.00	174,789
7.	14-30 King Wah Road, North Point, Hong Kong	37,566	224,828	100.00	224,828
8.	Yau Tong Bay, Kowloon	878,962	4,394,808	18.44	810,214
	Total:	**1,005,291**	**5,199,830**		**1,431,798**

Note 1: The site was previously held by the Group as a serviced apartment building.

Note 2: The existing industrial building (i.e. Big Star Centre) at this site is planned to be redeveloped into an office tower with an enlarged gross floor area of about 258,000 square feet. However, such land-use conversion plan is still subject to Government's approval.

Newly-acquired redevelopment projects of old buildings

In light of the market development, during the year the Group continued to maintain its prudent practice of acquiring old tenement buildings in urban areas for redevelopment in the belief that it would be a win-win move for all parties over the long term. Firstly, it is in line with the Government's policy initiatives on promoting urban renewal and creating a vibrant urban environment. Secondly, it enables the owners of units in old buildings to realize their dilapidated homes at a price higher than the prevailing market price for the old buildings and to acquire newer and safer homes. Lastly, it provides the Group with a source of urban land supply that requires lower cost and hence yields higher margin. To date, entire or majority ownership of 37 urban projects has been secured and they are expected to provide a total attributable gross floor area of approximately 2.88 million square feet, or about 3,000 housing units. The total land costs for these 37 urban projects are estimated at about HK$11,800 million, translating into an average land cost of approximately HK$4,100 per square foot of gross floor area. Such favourable land costs will ensure a significant contribution to the Group's earnings. A summary of the projects which have been acquired is as follows:

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area in future development (sq.ft.)	Expected year of sales launch *(Note 1)*
A.	**Projects with ownership fully consolidated:**			
1.	30-38 Po Tuck Street and 36 Clarence Terrace Western District, Hong Kong *(Note 2)*	7,310	58,400	2012
2.	45-49 Boundary Street and 189-195 Sai Yeung Choi Street North, Kowloon *(Note 2)*	5,880	52,919	2012
3.	186-188 Tai Po Road, Sham Shui Po, Kowloon *(Note 2)*	8,324	70,298	2012
4.	1-7A Gordon Road, North Point, Hong Kong *(Note 2)*	7,423	64,437	2013
5.	75-81 Sa Po Road, Kowloon City, Kowloon *(Note 2)*	3,582	32,219	2013
6.	186-198 Fuk Wing Street, Sham Shui Po, Kowloon *(Note 2)*	7,500	63,281	2013
7.	59-63 Wing Hong Street and 88-92 King Lam Street, Cheung Sha Wan, Kowloon *(Notes 2 and 3)*	28,004	336,048	Not applicable
8	25 Robinson Road, Mid-Levels, Hong Kong *(Notes 2 and 4)*	15,734	39,292	2013
9.	565-577 Fuk Wah Street, Cheung Sha Wan, Kowloon	7,560	63,788	2013
10.	23-33 Shing On Street, Sai Wan Ho, Hong Kong *(Note 2)*	4,605	38,081	2014
11.	208-210 Johnston Road, Wanchai, Hong Kong *(Note 3)*	1,939	29,085	2014
12.	352-354 Un Chau Street, Cheung Sha Wan, Kowloon	2,289	19,457	2014
13.	2-12 Observatory Road Tsim Sha Tsui, Kowloon *(Notes 2, 3 and 4)*	13,537	81,224	Not applicable
	Sub-total:	**113,687**	**948,529**	

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area in future development (sq.ft.)	Expected year of sales launch *(Note 1)*
B.	**Projects with the percentage of ownership reaching the compulsory sale application threshold for redevelopment:**			
14.	62-72 Main Street, Ap Lei Chau, Hong Kong	5,973	50,771	2013
15.	89-95 Shek Pai Wan Road, Aberdeen, Hong Kong	3,300	28,050	2013
16.	11-33 Li Tak Street, Tai Kok Tsui, Kowloon *(Note 2)*	19,600	165,339	2013
17.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan, Kowloon *(Note 2)*	11,404	102,088	2013
18.	450-456G Queen's Road West, Western District, Hong Kong *(Note 2)*	28,371	275,999	2014
19.	4-6 Tin Wan Street, Aberdeen, Hong Kong	1,740	14,790	2014
20.	12-14 Tin Wan Street, Aberdeen, Hong Kong	2,030	18,270	2014
21.	9-13 Sun Chun Street, Tai Hang, Hong Kong	2,019	18,171	2014
22.	21-39 Mansion Street and 852-858 King's Road North Point, Hong Kong	17,720	168,640	2014
23.	19-21 Shing On Street and 15 Tai Shek Street Sai Wan Ho, Hong Kong	1,998	17,982	2014
24.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan, Kowloon *(Note 2)*	23,031	207,272	2014
25.	38-40A Hillwood Road, Tsim Sha Tsui, Kowloon *(Note 3)*	4,586	55,032	2014
26.	456-462A Sai Yeung Choi Street North, Sham Shui Po, Kowloon	12,298	103,531	2014
27.	1-19 Nam Cheong Street, Sham Shui Po, Kowloon *(Note 2)*	8,625	77,626	2014

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area in future development (sq.ft.)	Expected year of sales launch *(Note 1)*
28.	342-348 Un Chau Street, Cheung Sha Wan, Kowloon	4,579	38,922	2014
29.	11-19 Wing Lung Street, Cheung Sha Wan, Kowloon	6,510	58,590	2014
30.	196-202 Ma Tau Wai Road, To Kwa Wan, Kowloon	4,905	41,328	2014
31.	79-83 Fuk Lo Tsun Road, Kowloon City, Kowloon	3,630	30,855	2014
32.	8-30A Ka Shin Street, Tai Kok Tsui, Kowloon *(Note 2)*	19,738	176,211	2014
33.	1-15 Berwick Street, Shek Kip Mei, Kowloon	9,788	78,304	2014
34.	21-27 Berwick Street and 212-220 Nam Cheong Street Shek Kip Mei, Kowloon	10,538	84,304	2014
35.	3-4 Yiu Tung Street, Shek Kip Mei, Kowloon	2,275	18,200	2014
36.	7-8 Yiu Tung Street, Shek Kip Mei, Kowloon	2,275	18,200	2014
37.	7-7G Victory Avenue, Homantin, Kowloon	9,865	83,853	2014
	Sub-total:	**216,798**	**1,932,328**	
	Total for 37 projects with entire or majority ownership:	**330,485**	**2,880,857**	

Note 1: Completion of a redevelopment is expected to occur in the second year after the year in which the redevelopment is to be launched for pre-sale.

Note 2: Building plan already approved.

Note 3: With the exception of project numbers 7, 11, 13 and 25 above, which are intended to be redeveloped into office or industrial/office buildings, all of the above projects are designated for commercial and residential uses. Project numbers 7 and 13 will be held as investment properties.

Note 4: The Group holds a 50% stake in such redevelopment project.

Further acquisitions, involving another 47 projects spanning various highly accessible urban districts, are in progress and they are expected to provide a total attributable gross floor area of approximately 5.16 million square feet upon successful completion of their acquisition and redevelopment and below is the geographical distribution:

			Land area (sq.ft.)	Expected attributable gross floor area upon successful completion of acquisition and redevelopment (sq.ft.)
1.	**Hong Kong**			
	Central & Western		135,127	1,019,429
	Island East		62,283	593,874
	Causeway Bay		30,368	296,265
	Aberdeen		19,247	172,339
	Wanchai		8,084	72,756
		Sub-total:	**255,109**	**2,154,663**
2.	**Kowloon**			
	Hung Hom		121,750	1,095,750
	Tai Kok Tsui		97,136	837,526
	Homantin		64,650	517,383
	Tsim Sha Tsui		39,483	373,289
	Sham Shui Po		20,363	183,267
		Sub-total:	**343,382**	**3,007,215**
		Total:	**598,491**	**5,161,878**

(II) New Territories land

At the end of December 2011, the Group held New Territories land reserves amounting to approximately 41.9 million square feet, which is the largest holding among all property developers in Hong Kong.

For "North East New Territories Future New Development Towns" and "Hung Shui Kiu Future New Development Town", in which the Group holds land lots of approximately 9.1 million square feet in total land area, the Group will continue to closely coordinate its approach with the Government's development plans, which are still subject to finalization. It is expected that these two future new development towns will become highly strategic locations, benefitting from the improved transport infrastructure and easier accessibility between Hong Kong and mainland China and details are shown in the following table:

			Total land area (sq.ft.)
1.	North East New Territories Future New Development Towns		
	- Wu Nga Lok Yeung		2,700,000
	- Ping Che		2,000,000
	- Kwu Tung North		400,000
		Sub-total:	**5,100,000**
2.	Hung Shui Kiu Future New Development Town		4,000,000
		Total:	**9,100,000**

For the land lots of about 9.1 million square feet in the above two future new development towns, the total developable gross floor area will be 18.2 million square feet if the allowed plot ratio for development is 2 times, whilst the total developable gross floor area will increase to 27.3 million square feet if the allowed plot ratio is 3 times. Based on an average unit size of 600 square feet, the potential housing units will be in number of about 30,000 to 45,000.

Regarding the Group's residential development at Tai Tong Road, Yuen Long, land-use conversion for an additional 123,000 square feet of residential space was finalized with the Government, with the land premium fully settled in mid-November 2011, thereby increasing the total gross floor area of this project to approximately 1.3 million square feet, of which approximately 1.0 million square feet is attributable to the Group.

For the wetland restoration and residential project in Wo Shang Wai, Yuen Long, it is planned to be developed into a low-density luxury residential development with a total gross floor area of approximately 895,000 square feet against a total land area of about 2.3 million square feet. The latest planning application has been approved by the Town Planning Board and the corresponding land-use conversion application is in progress.

Property Development

2011 Highlights

- Sold an attributable HK$10,846 million worth of properties in Hong Kong during this financial year
- Three projects successfully pre-sold with an attributable sales revenue totalling HK$3,373 million to be reflected in the results for the next financial year, when they are due for completion

Property Sales

During the first half of the year under review, with the local property market remaining robust, the Group capitalized on the positive market sentiment and successfully re-launched an array of popular developments for sale. However, starting from mid-2011, stabilizing measures introduced by the Hong Kong SAR Government, the lingering European debt crisis and the growing concerns over economic deterioration in both mainland China and the United States led to a stagnant property market in the latter half of the year.

Hill Paramount, Shatin, Hong Kong

Luxury developments put up for sale during the year included Hill Paramount in Shatin, Headland Road in Island South, Casa Marina (Phases 1 and 2), as well as The Beverly Hills (Phase 1) and Légende Royale - The Beverly Hills (Phase 3) in Tai Po. They all received encouraging responses. For the year ended 31 December 2011, the Group sold 325 residential units in Hong Kong, generating attributable sales revenue of HK$8,308 million, a marked increase when compared with HK$4,842 million for the previous financial year (before taking into account the effect of cancelled sales). Meanwhile, 67 deluxe villas in Casa Marina (Phases 1 and 2) and The Beverly Hills (Phase 1), which were previously held for rental purposes, together with approximately 100,000 square feet of industrial/office/commercial premises (including some rental properties such as the office at 9 Queen's Road Central), were also disposed of during the year. Including the Group's share of sales proceeds of HK$2,538 million arising from these disposals, the Group sold an attributable HK$10,846 million worth of properties in Hong Kong for the year ended 31 December 2011.

Légende Royale, Tai Po, Hong Kong

Furthermore, The Gloucester, an 114,000-square-foot signature residential project situated on Hong Kong waterfront with full sea views, was launched for pre-sale in April 2011 with over 90% of its total 177 residential units snapped up by the end of the year. E-Trade Plaza, a 170,000-square-foot Grade A office tower at Island East, also achieved encouraging results with about 30% of its saleable area successfully sold within a few months since its pre-sale in the fourth quarter of 2011. AZURA, the Group's joint venture development at Mid-Levels of Hong Kong Island, went on sale in November 2010 and cumulatively, 98 of its total 126 residential units had been pre-sold by the end of 2011. Their attributable sales revenue totalling HK$3,373 million, as well as the corresponding profit contribution, will be reflected in the results for the next financial year, when they are due for completion.

E-Trade Plaza, Chai Wan, Hong Kong (artist's impression)

La Verte in Fanling has sold well since it was released for sale in February 2012.

At 31 December 2011, the Group had over 580 residential units available for sale, comprising a total gross area of about 1.0 million square feet, of which around 880,000 square feet was attributable to the Group. Particulars of the major development projects offered for sale and pending sale are shown on pages 12 and 13 of the Chairman's Statement. In addition, the Group has two suburban developments, namely the projects in Lok Wo Sha, Ma On Shan (Phase 1) and Tai Tong, Yuen Long, planned to be launched for sale in 2012 upon receipt of the relevant sales consents. As such, a total of over 4,000 residential units with an aggregate attributable gross floor area of about 2,300,000 square feet will be available for sale and pre-sale in 2012.

Status of Major Property Developments

E-Trade Plaza, 24 Lee Chung Street, Chai Wan (100% owned by the Group)

Site area	:	11,590 square feet
Gross floor area	:	173,850 square feet
Expected completion	:	Second quarter of 2012

E-Trade Plaza commands a premium location and is just a 3-minute walk from Chai Wan MTR Terminus. Advanced provisions such as its fully installed raised floor system, as well as innovative office features such as the sky garden, set the property apart from all other commercial premises in the vicinity. About 30% of its saleable area had been sold by the end of 2011.

Mira Moon, 388 Jaffe Road, Wanchai (100% owned by the Group)

Site area	:	4,409 square feet
Gross floor area	:	66,128 square feet
Expected completion	:	Second quarter of 2012

Under the creative direction of renowned Dutch designer Marcel Wanders and the seasoned management of The Mira Hong Kong, this 91-room boutique hotel will present a refreshing reinterpretation of Chinese traditions in the bustling district of Wanchai upon its scheduled opening in 2013. Construction is at the superstructure stage.

AZURA, 2A Seymour Road, Mid-Levels (12.5% owned by the Group)

Site area	:	22,957 square feet
Gross floor area	:	206,306 square feet
Residential units	:	126
Expected completion	:	Second quarter of 2012

Located in the highly sought-after Mid-Levels West area, AZURA consists of a 50-storey tower of 126 residential units and 45 car parking spaces. The residence also features three exquisite penthouses on the top floor with rooftop and private pool, and three unique apartments on the podium level which feature a flat roof space. The spacious duplex clubhouse boasts an area of 20,000 square feet and contains a variety of facilities to meet the needs of residents. Superstructure works are in progress and 98 units had been pre-sold by the end of 2011.

The Gloucester, 212 Gloucester Road, Wanchai (100% owned by the Group)

Site area	:	11,545 square feet
Gross floor area	:	113,977 square feet
Residential units	:	177
Expected completion	:	Fourth quarter of 2012

Located in a prime waterfront urban area with the Causeway Bay shopping hub, exotic restaurants and a trendy boutique hotel in its proximity, The Gloucester offers sweeping Victoria Harbour views for all its 177 Manhattan-style apartments. By the end of 2011, over 90% of the units had been sold. Catering to its discerning residents who are mostly urban elites, its top-floor sky clubhouse includes the only aquarium-style heated pool in Hong Kong. Construction has proceeded to the superstructure stage and it is due for completion by the end of 2012.

Double Cove, Shatin Town Lot 502 at Lok Wo Sha, Ma On Shan (59% owned by the Group)

Site area	:	**1,042,397 square feet**
Gross floor area	:	**2,950,660 square feet**
Residential units	:	**928 (Phase 1)**
Expected completion	:	**Fourth quarter of 2012 (Phase 1)**

Benefitting from a unique vantage point nestled between Starfish Bay and To Tau Beach, this waterfront residential project will be completed in phases and there will be 2.8 million square feet of gross floor area in 21 residential towers containing about 3,500 units in various configurations, plus a 108,000-square-foot commercial area linked to the Wu Kai Sha MTR terminus. Construction of its first phase of development, which contains a total residential gross floor area of about 685,000 square feet and a shopping area of about 99,000 square feet, is expected to be finished by the end of 2012, whilst additional residential space of about 639,000 square feet and about 811,000 square feet will be respectively completed in 2013 and 2014 for the second and third phases. A top-notch design consultant team, namely Rogers Stirk Harbour + Partners, has introduced innovative architectural design ideas to their first residential project in Hong Kong, allowing residents to enjoy stunning views across Tolo Harbour amid a tranquil living environment.

Yuen Long Town Lot 526, Tai Tong, Yuen Long (79.03% owned by the Group)

Site area	:	**371,358 square feet**
Gross floor area	:	**1,299,753 square feet**
Residential units	:	**2,580**
Expected completion	:	**Second quarter of 2013**

Set in green and relaxing surroundings, many of the residential units in this project will enjoy panoramic views of the lush Tai Lam Country Park upon completion in the second quarter of 2013. Construction of the superstructure is now under way and an iconic arch between two of the 12 residential towers will give this project a unique architectural feature.

1-9 and 2-10 Sai Wan Terrace, Quarry Bay (10% owned by the Group)

Site area	:	**28,490 square feet**
Gross floor area	:	**151,944 square feet**
Residential units	:	**92**
Expected completion	:	**Third quarter of 2013**

Located at Kornhill, Quarry Bay with a full range of amenities in its vicinity, this joint venture development will comprise two 21-storey towers of 92 residential units and 69 basement car parking spaces upon its scheduled completion in 2013. The substructure works are in progress.

19-21 Wong Chuk Hang Road (50% owned by the Group)

Site area	:	**14,298 square feet**
Gross floor area	:	**214,467 square feet**
Expected completion	:	**Second quarter of 2014**

This project is a 25-storey top grade office building with supporting retail space in the south of Hong Kong Island. The MTR South Island Line (East Section) is scheduled for completion in 2015 and the future Wong Chuk Hang MTR station will be within walking distance, offering just a 2-stop ride to the interchange station at Admiralty. Foundation works are nearly completed. The contract for superstructure works has been awarded.

59-63 Wing Hong Street and 88-92 King Lam Street, Cheung Sha Wan (100% owned by the Group)

Site area	:	**28,004 square feet**
Gross floor area	:	**336,048 square feet**
Expected completion	:	**Third quarter of 2014**

This site, which was enlarged following the completion of the acquisition of its adjacent building, will be developed into a modern industrial building. Its prime location close to Lai Chi Kok MTR station, plus the premium quality, innovative design and high specifications should make it a new benchmark for premium industrial premises in West Kowloon.

186-188 Tai Po Road, Sham Shui Po (100% owned by the Group)

Site area	:	**8,324 square feet**
Gross floor area	:	**70,298 square feet**
Residential units	:	**138**
Expected completion	:	**Fourth quarter of 2014**

This development will comprise approximately 62,000 square feet of residential space and approximately 8,000 square feet of retail shops upon completion in late 2014. Piling is under way and construction of the superstructure will commence in September 2012.

30-38 Po Tuck Street and 36 Clarence Terrace, Western District (100% owned by the Group)

Site area	:	**7,310 square feet**
Gross floor area	:	**58,400 square feet**
Residential units	:	**133**
Expected completion	:	**Fourth quarter of 2014**

The site is adjacent to the Hong Kong University MTR station now under construction that will commence its operation in 2014. It is also close to a number of prestigious primary and secondary schools, as well as the University of Hong Kong. Construction has proceeded to the foundation stage and this 31-storey residential development is expected to be finished by the end of 2014.

68 Boundary Street (formerly known as 58-66 Boundary Street) (100% owned by the Group)

Site area	:	**6,750 square feet**
Gross floor area	:	**60,749 square feet**
Residential units	:	**41**
Expected completion	:	**Fourth quarter of 2014**

Situated close to both Prince Edward and Mongkok East MTR stations, this 29-storey commercial-cum-residential tower overlooks a number of green parks and amenities, enjoying the breathtaking views that extend up to the Lion Rock. This project is a tribute to the heritage of Kowloon Tong's historic mansions, featuring spacious units and a unique modern façade design. Foundation works are in progress.

45-49 Boundary Street and 189-195 Sai Yeung Choi Street North (100% owned by the Group)

Site area	:	**5,880 square feet**
Gross floor area	:	**52,919 square feet**
Residential units	:	**59**
Expected completion	:	**Fourth quarter of 2014**

This property is at the transport nexus of Mongkok, with Prince Edward MTR station and the cross-border coach terminus just steps away. Meanwhile, the flower bazaar and Mongkok shopping avenue are both within its walking distance, offering unrivalled living convenience to its residents. Foundation works are in progress and it will be developed into a 32-storey residential-cum-commercial tower, overlooking the Police Sports and Recreation Club, as well as the lush greenery nearby.

Major Development Projects

Major Projects Under Development

1 E-Trade Plaza, 24 Lee Chung Street, Chai Wan
2 Mira Moon, 388 Jaffe Road, Wanchai
3 AZURA, 2A Seymour Road, Mid-Levels
4 The Gloucester, 212 Gloucester Road, Wanchai
5 Double Cove, Shatin Town Lot 502 at Lok Wo Sha, Ma On Shan
6 Yuen Long Town Lot 526, Tai Tong, Yuen Long
7 1-9 and 2-10 Sai Wan Terrace, Quarry Bay
8 19-21 Wong Chuk Hang Road
9 59-63 Wing Hong Street and 88-92 King Lam Street, Cheung Sha Wan
10 186-188 Tai Po Road, Sham Shui Po
11 30-38 Po Tuck Street and 36 Clarence Terrace, Western District
12 68 Boundary Street
13 45-49 Boundary Street and 189-195 Sai Yeung Choi Street North

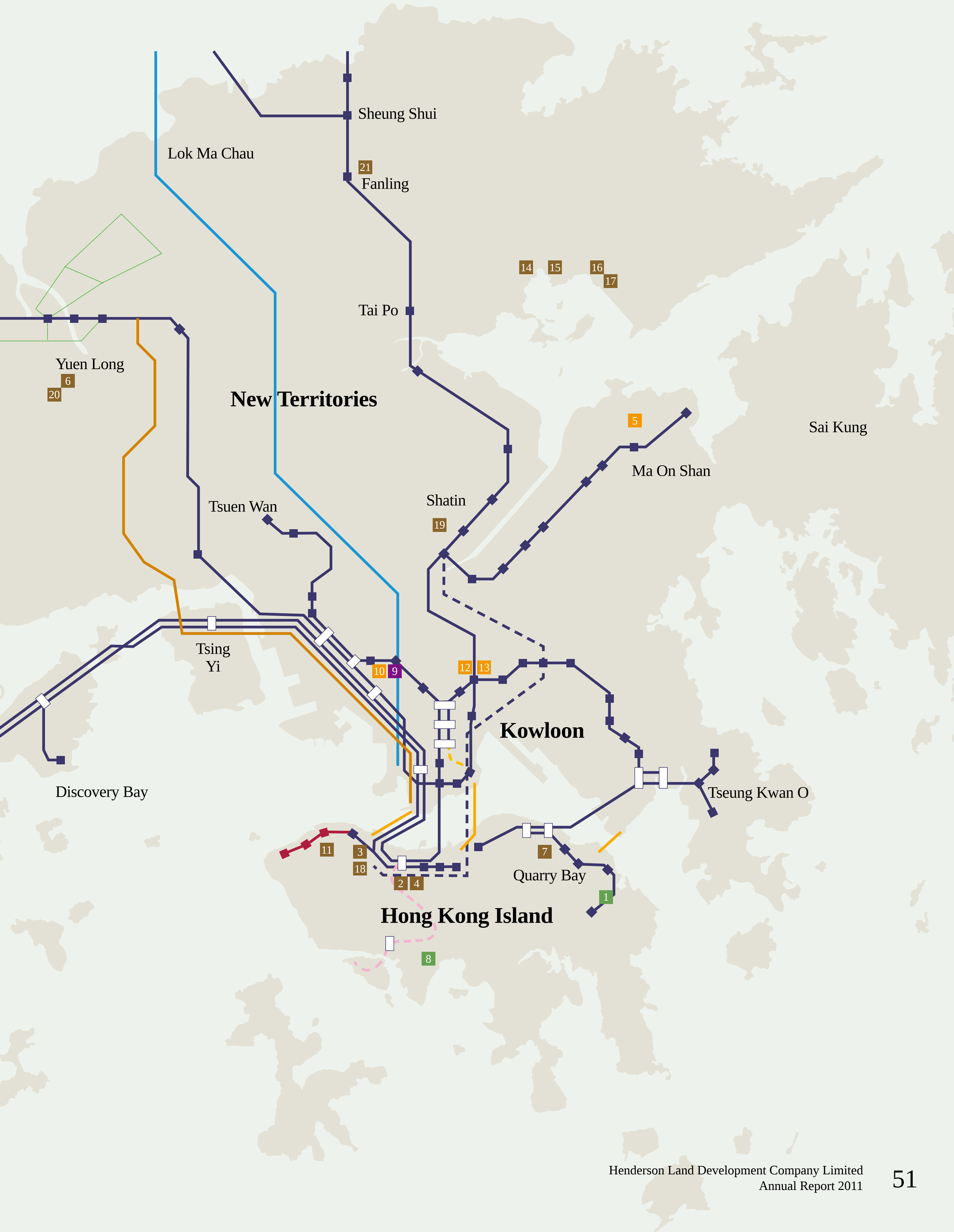
Major Completed Development Projects Offered for Sale or Pending Sale

14 Casa Marina I, 28 Lo Fai Road, Tai Po
15 Casa Marina II, 1 Lo Ping Road, Tai Po
16 The Beverly Hills – Phase 1, 23 Sam Mun Tsai Road, Tai Po
17 Légende Royale, The Beverly Hills – Phase 3, 23 Sam Mun Tsai Road, Tai Po
18 39 Conduit Road, Mid-Levels
19 Hill Paramount, 18 Hin Tai Street, Shatin
20 Green Lodge, Tong Yan San Tsuen, Yuen Long
21 La Verte, 283 Jockey Club Road, Fanling

Residential / Hotel Serviced Suites
Commerical / Residential
Office
Industrial

Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

Under Network Extensions
West Island Line
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Link Extension
South Island Line (East)



Sheung Shui
Lok Ma Chau
21
Fanling
14
15
16
17
Tai Po
Yuen Long
6
20
New Territories
5
Sai Kung
Ma On Shan
Shatin
19
Tsuen Wan
Tsing
Yi
10
9
12
13
Kowloon
Discovery Bay
Tseung Kwan O
11
3
18
2
4
7
Quarry Bay
1
Hong Kong Island
8

Property Investment

2011 Highlights

- Including attributable contributions from associates and jointly controlled entities, the Group's gross rental income increased by 11% year-on-year to HK$4,889 million, setting a new record
- 9.2 million square feet in attributable gross floor area of completed investment properties
- Quality portfolio with core properties attaining 97% occupancy at 31 December 2011

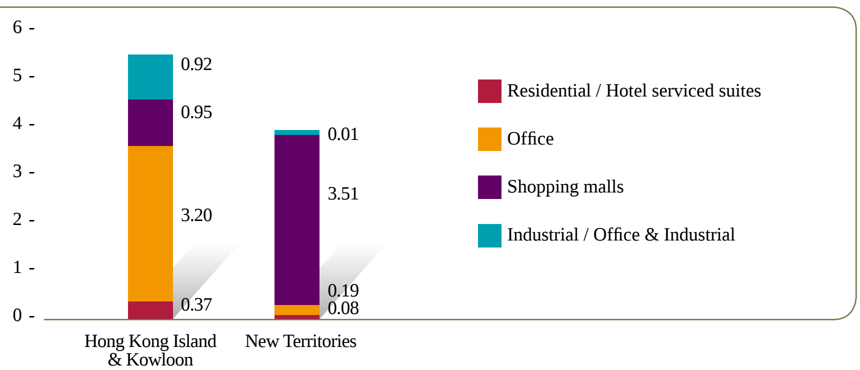
Property Investment

At 31 December 2011, the Group held a total attributable gross floor area of approximately 9.2 million square feet in completed investment properties in Hong Kong, comprising 4.5 million square feet of commercial or retail space, 3.4 million square feet of office space, 0.9 million square feet of industrial/office space and 0.4 million square feet of residential and apartment space. This leasing portfolio is geographically diverse, with 25% in Hong Kong Island, 34% in Kowloon and the remaining 41% in the new towns (with most of the latter being large-scale shopping malls).

The composition of the Group's diverse property investment portfolio at 31 December 2011 is shown in the accompanying chart.

Investment Properties

(gross floor area in million square feet)



Leasing performance was impressive during the year with gross rental income setting a new record. The Group's attributable gross rental income[Note] in Hong Kong for the year ended 31 December 2011 increased by 11% to HK$4,889 million, whilst pre-tax net rental income[Note] was HK$3,585 million, representing a growth of 15% over the previous year. At 31 December 2011, the leasing rate for the Group's core rental properties rose to 97%.

(Note: this figure includes that derived from the investment properties owned by the Group's subsidiaries (after deducting non-controlling interests), associates and jointly controlled entities)

Given continued growth in local consumption, as well as the ever-increasing number of mainland tourists purchasing international brands, Hong Kong's retail sales grew briskly in 2011. In response to market changes and to tap new opportunities, the Group staged innovative marketing activities, including organizing shopping tours for mainlanders and an increased adoption of multi-media promotional channels, to draw more shoppers to its shopping malls and boost tenants' business. These marketing efforts coupled with the advantageous locations near MTR stations make these shopping malls the preferred choice for many discerning retailers. For instance, Inditex, a global fashion group, has committed to a total gross floor area of 62,000 square feet at Metro City Phase II in Tseung Kwan O for its three well-known international brands, namely Zara which has opened already, Bershka and Pull & Bear, which are due to open consecutively in 2012, whilst H & M Hennes & Mauritz Limited, another global fashion group, has also committed to a total gross floor area of over 53,000 square feet at this mall for its well-known international brand, H & M which is due to open in mid 2012. The whole Skyline Plaza, a 4-level shopping mall in Tsuen Wan with a total gross floor area of over 150,000 square feet, was leased to a famous department store, which will open for business and provide one-stop shopping convenience in 2012. Consequently, most of the Group's shopping malls, ranging from ifc mall in Central to regional shopping centres in new towns, recorded nearly full occupancy by the end of the financial year.

On the back of persistent demand growth, driven by business expansion and new corporate set-ups particularly in the first

Metro City Phase II, Tseung Kwan O, Hong Kong

half of the year, coupled with limited new office supply, the Group's premier office developments in the core areas, such as the ifc in Central, AIA Tower in North Point as well as ING Tower and Golden Centre in Sheung Wan, have all performed well with increased rents for both renewals and new lettings. In the up-and-coming commercial hub of Kowloon East, the Group's approximately 2,000,000-square-foot portfolio of premium office and industrial premises benefitted from the trend of office decentralization with the overall leasing rate surging from 87% at 31 December 2010 to 98% at 31 December 2011. Manulife Financial Centre in Kwun Tong, which set a new benchmark for green office buildings in decentralized areas by achieving the top "platinum" rating in the Hong Kong Building Environmental Assessment Method (HK-BEAM) in February 2011, was 98% let by the end of the financial year.

The Group's deluxe serviced suite hotel at Four Seasons Place continued to achieve high occupancy and increased rents, whilst luxury residences such as Eva Court and 39 Conduit Road at Mid-Levels also recorded satisfactory leasing performance.

The Group continuously improves accessibility and facilities at its investment properties so as to better serve the community and enhance their rental values. Metro City Phase II in Tseung Kwan O, which was ranked First by the Hong Kong Federation of the Blind, Centre for Social Policy Studies of The Hong Kong Polytechnic University and few other charitable organizations for the disabled in Barrier-Free Assessment Visit 2011, is undergoing a revamp and the first phase of renovation works will be completed in the first quarter of 2012. The second phase of renovation commenced in December 2011 and will be completed by the end of 2014. For the Trend Plaza in Tuen Mun, renovation to the external wall of its North Wing will also be completed in mid-2012 following the recent completion of a facelift at its South Wing. The first phase of refurbishment at Sunshine City Plaza in Ma On Shan is progressing well, whilst the planning of renovation works for City Landmark I in Tsuen Wan and AIA Tower in North Point is currently in the pipeline. For AIA Tower in North Point, acquisition of its remaining 5.44% interest was completed in September 2011, allowing the Group to benefit in full from its future major revamp.

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet): Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	-	-	-	108,214	49
Golden Centre	170-188 Des Voeux Road, Central	2050	100.00	-	21,842	134,450	-	156,292	-
ING Tower	308-320 Des Voeux Road Central / 98-116 Wing Lok Street	2865	100.00	-	31,987	182,373	-	214,360	-
AIA Tower	183 Electric Road, North Point	2047	100.00	-	22,338	490,072	-	512,410	207
One International Finance Centre	1 Harbour View Street, Central	2047	40.51	-	53,124	317,793	-	370,917	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.51	-	206,151	448,975	-	655,126	189
Four Seasons Place	8 Finance Street, Central	2047	40.51	214,724	-	-	-	214,724	7
CentreStage	108 Hollywood Road	2072	100.00	-	16,084	-	-	16,084	64
39 Conduit Road	39 Conduit Road, Mid-Levels	2061	60.00	37,516	-	-	-	37,516	65
Kowloon									
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	-	33,511	64,422	-	97,933	-
Kowloon Building	555 Nathan Road, Mong Kok	2060	100.00	-	28,656	84,626	-	113,282	-
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	-	-	-	150,212	150,212	-
Well Tech Centre	9 Pat Tat Street, San Po Kong	2047	100.00	-	-	-	171,805	171,805	40
Big Star Centre	8 Wang Kwong Road, Kowloon Bay	2047	100.00	-	-	-	175,447	175,447	20
579 Nathan Road	579 Nathan Road, Mong Kok	2037	100.00	-	7,805	18,810	-	26,615	-
Paradise Square	3 Kwong Wa Street, Mong Kok	2054	100.00	-	8,244	-	-	8,244	72
Dragon Centre	79 Wing Hong Street, Cheung Sha Wan	2023	100.00	-	-	-	172,117	172,117	76
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	-	47,860	919,004	-	966,864	394
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	-	-	-	119,995	119,995	16
Bamboos Centre	52 Hung To Road, Kwun Tong	2047	100.00	-	-	-	125,114	125,114	-
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	-	-	216,593	-	216,593	70
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	-	13,620	-	-	13,620	-
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	-	53,443	-	-	53,443	-

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	-	151,513	-	-	151,513	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	-	94,657	-	-	94,657	130
The Trend Plaza	Tuen Mun Heung Sze Wui Road, Tuen Mun	2047	100.00	-	195,280	-	-	195,280	78
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	-	9,566 *(Note)*	-	-	9,566	151
City Landmark I	68 Chung On Street, Tsuen Wan	2047	74.96	-	138,555	156,981	-	295,536	100
City Landmark II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	-	155,022	-	-	155,022	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	-	154,259	-	-	154,259	104
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	-	100,029	-	-	100,029	545
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	-	114,730	-	-	114,730	67
Blocks A & B, Sunshine City	18 On Shing Street, Ma On Shan	2047	100.00	-	9,305	-	-	9,305	-
Blocks C & D Sunshine City	22 On Shing Street, Ma On Shan	2047	100.00	-	10,236	-	-	10,236	-
Blocks N, P, Q & R, Sunshine City	8 On Shing Street, Ma On Shan	2047	100.00	-	58,881	-	-	58,881	186
Sunshine City Plaza	18 On Luk Street, Ma On Shan	2047	100.00	-	532,637	-	-	532,637	829
Sunshine Bazaar	628 Sai Sha Road, Ma On Shan	2047	100.00	-	79,642	-	-	79,642	224
Citimall	1 Kau Yuk Road, Yuen Long	2047	100.00	-	140,341	-	-	140,341	51
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	-	35,186	-	-	35,186	-
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	-	87,766	-	-	87,766	-
Metro City Phase 2 Shopping Arcade	8 Yan King Road, Tseung Kwan O	2047	100.00	-	956,849	-	-	956,849	669
The Metropolis, Metro City Phase 3 Shopping Arcade	8 Mau Yip Road, Tseung Kwan O	2047	100.00	-	266,954	-	-	266,954	233
Citygate	20 Tat Tung Road, Tung Chung, Lantau Island	2047	20.00	-	92,536	32,280	-	124,816	233
Phases 1 & 2, The Beverly Hills	23 Sam Mun Tsai Road, Tai Po	2047	90.10	28,992	-	-	-	28,992	14
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	-	30,139	-	-	30,139	250
			Total:	**389,446**	**3,958,748**	**3,066,379**	**914,690**	**8,329,263**	**5,591**

Note: In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group.

Major Completed Investment Properties

Major Completed Investment Properties

1 Eva Court
2 Golden Centre
3 ING Tower
4 AIA Tower
5 One International Finance Centre
6 Two International Finance Centre
7 Four Seasons Place
8 CentreStage
9 39 Conduit Road
10 Hollywood Plaza
11 Kowloon Building
12 Winning Centre
13 Well Tech Centre
14 Big Star Centre
15 579 Nathan Road
16 Paradise Square
17 Dragon Centre
18 Manulife Financial Centre
19 78 Hung To Road
20 Bamboos Centre
21 AIA Financial Centre
22 Cité 33
23 The Sparkle
24 Fanling Centre
25 Flora Plaza
26 The Trend Plaza
27 Marina Cove
28 City Landmark l
29 City Landmark ll
30 Skyline Plaza
31 Shatin Centre
32 Shatin Plaza
33 Blocks A & B, Sunshine City
34 Blocks C & D, Sunshine City
35 Blocks N, P, Q, & R, Sunshine City
36 Sunshine City Plaza
37 Sunshine Bazaar
38 Citimall
39 La Cité Noble Shopping Arcade
40 Dawning Views Plaza
44 Metro City Phase 2 Shopping Arcade
42 The Metropolis
43 Citygate
44 The Beverly Hills – Phases 1 & 2
45 The Sherwood

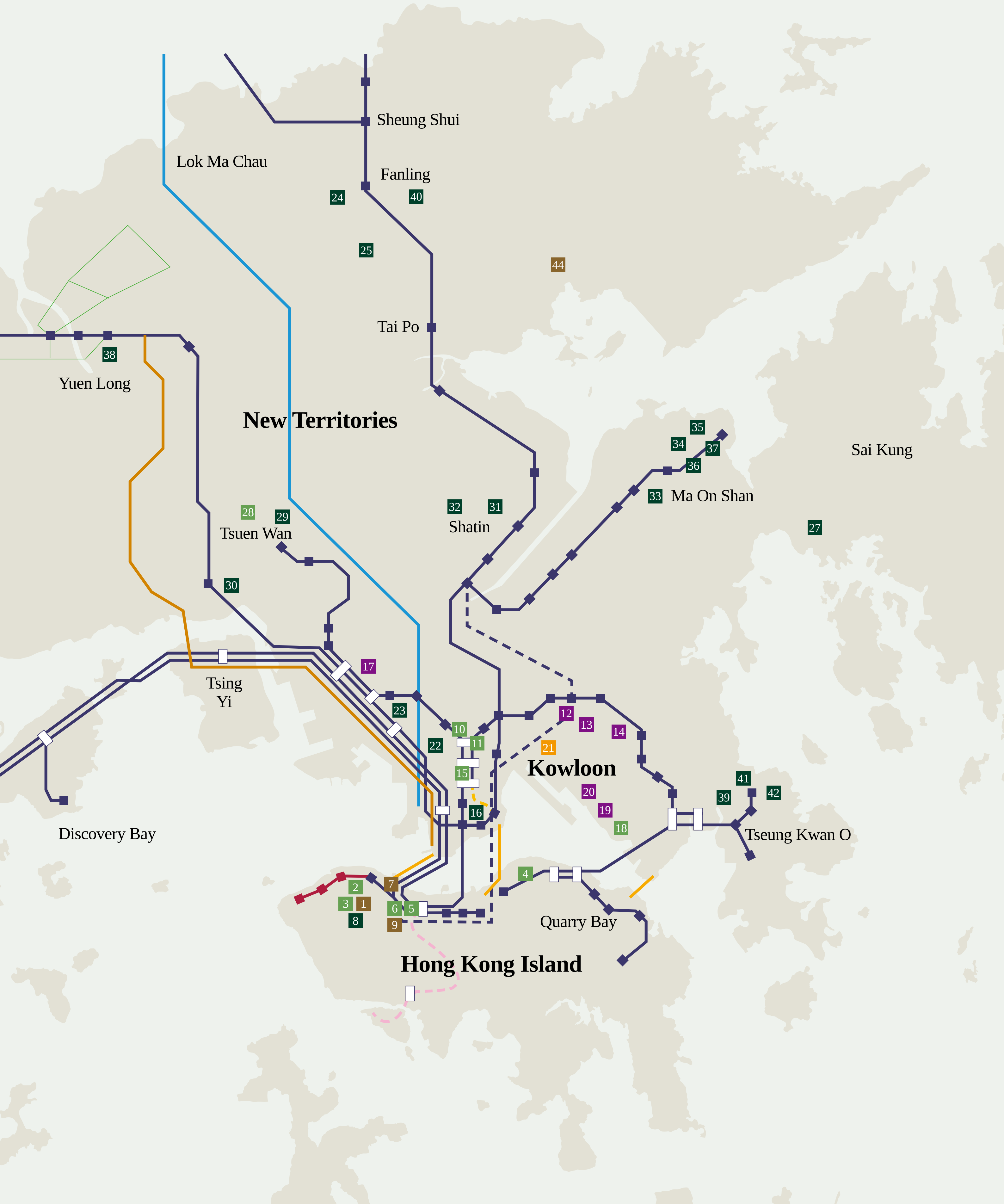
Residential / Hotel Serviced Suites
Commerical
Office
Industrial & Offices
Commerical & Offices

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

Under Network Extensions

West Island Line
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Link Extension
South Island Line (East)


Sheung Shui
Lok Ma Chau
Fanling
24
40
25
44
Tai Po
38
Yuen Long
New Territories
35
34
37
36
Sai Kung
33
Ma On Shan
28
29
Tsuen Wan
32
31
Shatin
27
30
17
Tsing
Yi
23
10
11
22
12
13
14
21
15
Kowloon
41
39
42
16
20
19
18
Tseung Kwan O
Discovery Bay
7
4
2
3
1
6
5
8
9
Quarry Bay
Hong Kong Island

Property Related Businesses

2011 Highlights

- Profit contribution from the Group's hotel operation increased by 108% to HK$325 million with the Four Seasons Hotel's signature Caprice and Lung King Heen restaurants achieving the top Michelin 3-star honours
- Citistore recorded a satisfactory growth of 20% in pre-tax profit against a 13% increase in turnover
- Both Construction and Property Management Teams were on the frontline throughout the year to fulfil the Group's pledge of following an environmentally friendly approach and caring for the community

Hotel Operation

Hong Kong's hospitality industry posted a remarkable growth in 2011 with visitor arrivals reaching a record high of around 42 million. The Four Seasons Hotel, which was widely recognized as the market leader in town, continued to win numerous prestigious accolades such as Forbes Five-Star Award for Hotel and top 3-star honours in the 2011 Michelin Guide for its signature Caprice and Lung King Heen restaurants. As a result, it enjoyed a further increase in occupancy against a higher average room rate during the year. Meanwhile, the Group also owns and manages the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel. Benefitting from the ever-increasing number of mainland tourists, who accounted for over 60% of their total customers, the Group's three Newton hotels have all achieved a double-digit increase in average room rates with a higher occupancy of over 80%. The Group is developing a new boutique hotel, Mira Moon, at 388 Jaffe Road, Wanchai and upon its scheduled completion in the second quarter of 2012, it will be operated by The Mira Hong Kong and 91 luxurious suites will be added to the Group's hotel portfolio. For the year ended 31 December 2011, the profit contribution[Note] from the Group's hotel operations increased by 108% to HK$325 million. (Note: this figure includes that derived from the hotels owned by the Group's subsidiaries, associates and jointly controlled entities)

Newton Place Hotel, Kwun Tong, Hong Kong

Retailing Operation

Established in 1989 as a complementary business to the Group's shopping facilities, Citistore's retailing operation has developed into a network of five department store outlets and two "id:c" specialty stores in Hong Kong. Given improvement in both local consumption and visitor spending, Citistore recorded a satisfactory growth of 20% in pre-tax profit against a 13% increase in turnover. Meanwhile, the Group continued to hold interests (7.41% at 31 December 2011) in Intime Department Store (Group) Company Limited (stock code: 1833), which is a renowned department store chain operating and managing 27 department stores and shopping centres across major cities in mainland China.

Construction

The Group cares for the environment and supports sustainable development for the benefit of future generations. As part of this pledge, inter-departmental communication and stakeholder engagement are always encouraged so as to ensure that local context, innovative architecture and sustainability features are perfectly blended into all of the Group's new developments in both Hong Kong and mainland China. In the construction process, energy-efficient and eco-friendly features recommended by the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM) Plus have been persistently integrated. For instance, pre-fabricated building components are now commonly used so as to raise efficiency by accelerating development progress for better quality control, whilst minimizing construction waste and disruption to the neighbourhoods. During the year, the Group's projects emerged as the first batch of developments in Hong Kong to achieve a China Green Building Label (GBL), which calls for reduced energy consumption at site works, re-use of local natural resources and the recycling of construction waste for better environmental management.

The Group's attention to every detail throughout the different stages of construction has also been extended to its developments in mainland China. In addition to its tight grip over all key aspects of development such as selection of main contractors and subcontractors, material sourcing and tender awarding, the Construction Department also maintains an ongoing dialogue with contractors and conducts on-site inspections so as to ensure that all the mainland projects are completed on schedule, within budget and in line with the Group's stringent environmental and quality requirements. In July 2011, accreditation as the "Main Contractor of Housing Construction (Level III)" was received from Beijing Municipal Commission of Housing and Urban-Rural Development, enabling the Group's Construction Department to take a more active role in mainland property development in future.

Property Management

The Group's member property management companies, Hang Yick Properties Management Limited ("Hang Yick"), Well Born Real Estate Management Limited ("Well Born") and Goodwill Management Limited, collectively manage around 76,000 apartments and industrial/commercial units, 7.9 million square feet of shopping malls and office space and 18,000 car parking units in Hong Kong. Hang Yick and Well Born also provide their quality property handover and management services to the Group's property developments in mainland China. Serving a total of about 5,000 mainland apartments, they have gained wide recognition for their excellent services. Hengbao Huating and Hengli Wanpan Huayuan, for instance, were both accredited as a "Community Showcase in Guangdong Province" and "Community Showcase in Guangzhou".

The Group's Construction and Property Management Teams were on the frontline throughout the year to fulfil the Group's pledge of providing green efforts and care to the community. Consequently, the Construction Department earned numerous accolades during the year including "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government, as well as "Construction Environmental Award – Merit" and "Proactive Safety Contractor Award" from The Hong Kong Construction Association, whilst the Property Management Teams also won nearly 700 performance-related accolades in addition to widespread recognition for their advocacy of care and love in this Year of Care. Their unflagging efforts will be elaborated in the "Sustainability and CSR" section of the Annual Report.

BUILDING WITH A SUSTAINABLE STRATEGY

In mainland China, the Group is bridging its success from present to future with the development of strategically-located properties in major cities across the nation. Just one example is the anticipated emergence of Shanghai as a new financial hub where Henderson Land is answering the rapidly growing demand for office space by launching world-class developments in prime locations, such as the HK-BEAM Platinum-rated Henderson Metropolitan, Centro, Greentech Tower, and the upcoming Lot 688, Nanjing Road West.

Building Environmental Assessment Method (BEAM)

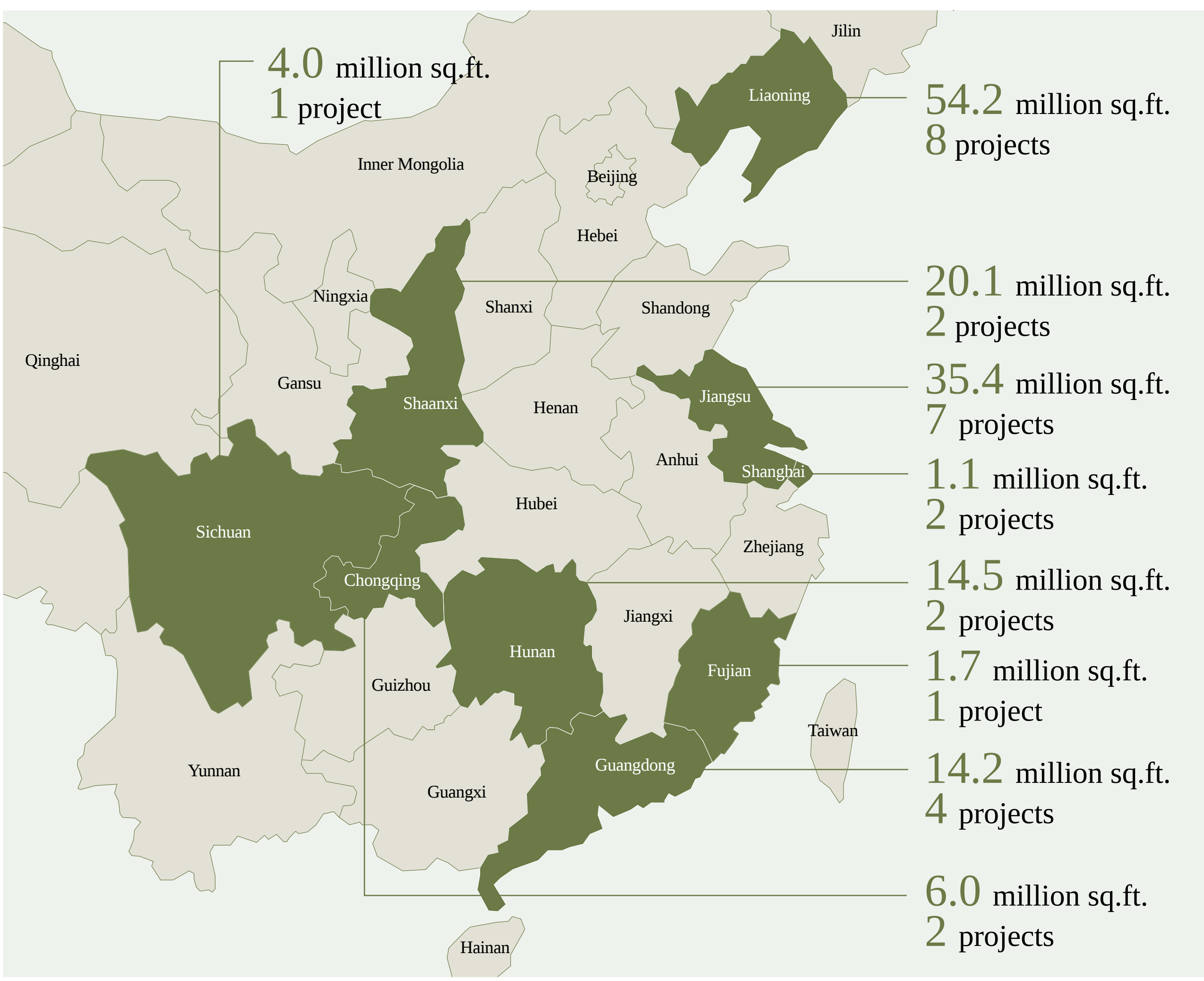
Platinum Rating

Henderson Metropolitan, Shanghai

Land Bank

2011 Highlights

- Sizeable land bank with an attributable developable gross floor area of 151.2 million square feet plus 1.0 million square feet of completed stock available for sale to capture market opportunities
- Completed an attributable 1.8 million square feet of residential properties in 2011
- Sold and pre-sold an attributable HK$1,905 million worth of mainland properties, a significant increase of 47% over the previous year
- Quality rental portfolio with a total gross floor area of 6.5 million square feet is set to further increase to 6.9 million square feet upon the completion of Greentech Tower in January 2012
- Attributable gross rental income grew by 91% to HK$916 million



* *The diagram above illustrates the Group's attributable developable gross floor area and number of projects by location.*

Land Bank

In view of the worsening global economy, the Central Government continually fine-tuned its austerity measures in 2011 to cool the mainland property market. Both administrative and economic initiatives, including restrictions on quantity of home purchase, amount of mortgage, unit price and unit size, were adopted in curbing housing demand. Such measures gave rise to a sharp decline in transaction volume. In the wake of the tightened credit, many mainland developers traded price for volume, thus depressing the home prices further.

Housing was still in great demand in mainland China. In those second and third-tier cities in which the Group has residential development projects, with many infrastructural projects and transport facilities such as highways, high-speed rails, community amenities and greenery projects gradually being completed, the environment has much improved. Besides, the Group's projects in China boast distinctive design plans, full-range facilities, superb building quality and proficient property management, targeting end-users of medium to high-end residences. Such projects are highly sought after and earned acclaim in the market.

As a result of the austerity measures, the majority of home buyers were end-users, who were much concerned about the building quality and details of a development. Therefore, the Group stepped up the promotion of its quality brand-name and refined its marketing campaigns, whilst making appropriate adjustments to its sales-force. Turning to property management, the Group always, where local regulations allow, provides its own property management services to its mainland developments. For those projects which require property management services to be outsourced, the Group's property management team still renders its close supervision.

The Group has strengthened its supervision and management over its mainland projects in the midst of the market downturn. To improve its competitiveness, the Group has been streamlining its manpower structure and slashing superfluous spending to control costs while also standardizing building design to shorten development time.

The Group's leasing team in mainland China has become experienced at soliciting and interacting with tenants. Several global brands were successfully encouraged to become core tenants and are expected to emerge as the Group's strategic partners in future. With the new leasing team on board, the mainland shopping arcades are now under innovative transformation, with emphasis on positioning, environmental intelligence, technological quality, as well as meticulous management and attentive services.

The following development projects were completed during this financial year:

	Project name	Land-use purpose	Group's interest (%)	Approximate attributable gross floor area (sq.ft.)
1.	Phase 1, Arch of Triumph, Changsha	Residential	99	676,400
2.	Phase 1A, Villa Green, Chongqing	Residential	100	521,500
3.	Phase 1A, La Botanica, Xian	Residential	50	590,600
			Total:	**1,788,500**

By the end of 2011, the Group had nearly 1,000,000 square feet in attributable gross floor area of completed stock remaining unsold in mainland China.

Meanwhile, the Group joined a number of leading enterprises across the Straits to establish Straits Construction Investment (Holdings) Limited ("Straits Construction"). In March 2011, Straits Construction bought two prime sites, which were located at Nanjing Hexi New Town of Jiangsu Province and Fuzhou Pingtan Integrated Pilot Area of Fujian Province respectively, at an aggregate consideration of US$850 million. The Nanjing project will be developed into office buildings with a total gross floor area of approximately 9,190,000 square feet against a site area of approximately 3,380,000 square feet. For the Pingtan project, a 8,230,000-square-foot land lot will be developed into an integrated business community with a total gross floor area of approximately 17,600,000 square feet. The Group held a 10% stake in Straits Construction.

At the end of December 2011, the Group had a development land bank in mainland China amounting to 151.2 million square feet in attributable developable gross floor area, of which around 83 % was planned for residential developments for sale:

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq.ft.)
Prime cities	
Shanghai	1.1
Guangzhou	14.2
Sub-Total:	**15.3**
Second-tier cities	
Anshan	17.9
Changsha	14.5
Chengdu	4.0
Chongqing	6.0
Dalian	10.3
Fuzhou	1.7
Nanjing	3.4
Shenyang	17.3
Suzhou	17.0
Tieling	8.7
Xian	20.1
Xuzhou	5.3
Yixing	9.7
Sub-Total:	**135.9**
Total:	**151.2**

* *Excluding basement areas and car parks*

Usage of development land bank

	Developable gross floor area (million sq.ft.)	Percentage (%)
Residential	125.7	83
Office	11.4	8
Commercial	9.7	6
Others (including clubhouses, schools and community facilities)	4.4	3
Total:	**151.2**	**100**

Property Sales

During the year, the Group sold and pre-sold an attributable HK$1,905 million worth of mainland properties, a significant increase of 47% over the previous year. Projects launched included “La Botanica” and “Palatial Crest” in Xian, “Villa Green” and “Grand Waterfront” in Chongqing, “Riverside Park” in Suzhou, “Emerald Valley” in Nanjing, “The Arch of Triumph” in Changsha and Xuzhou Lakeview Development. At 31 December 2011, the cumulative amount of mainland properties pre-sold attributable to the Group totalled HK$2,527 million and they will be reflected in the results for the coming financial years, when these developments are completed and delivered to buyers.

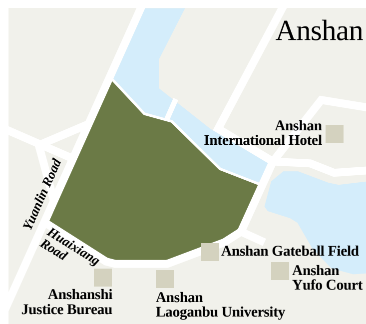
Progress of Major Development Projects

Anshan

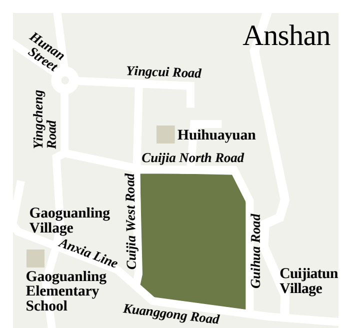
Old Stadium Site (100% owned by the Group)

Old Stadium Site, Anshan (artist's impression)

Adjacent to the scenic Yufoshan municipal park, an old stadium site of approximately 600,000 square feet in the city centre will be developed in phases into a high-end residential community with a total gross floor area of approximately 3,700,000 square feet. Construction of the first 1,200,000 square feet of residences plus 60,000 square feet of clubhouse and commercial area is now under way and scheduled for completion in the fourth quarter of 2013.



Project in Yingchengzi (100% owned by the Group)



Project in Yingchengzi, Anshan (artist's impression)

In the Qianshan District, a land lot of approximately 5,500,000 square feet will be developed in phases into a large scale residential community with a total developable gross floor area of about 14,000,000 square feet. Site formation is in progress.

Changsha

The Arch of Triumph (99% owned by the Group)

The Arch of Triumph, Changsha (artist's impression)

The Arch of Triumph is a community development with over 7,750,000 square feet of premium residential units being built in three phases and its 33-storey Arc de Triomphe-style building is a landmark construction in this new town of Xingsha. Phase 1A of about 620,000 square feet of residences was completed in June 2010, whilst another 640,000 square feet of residential space plus 30,000 square feet of clubhouse and commercial area in Phase 1B were also finished at the end of 2011. Both phases were highly sought after by home-buyers and over 94% of the residential space has been sold. Construction of another 1,610,000 square feet of residences began in July 2011 and they will be released in batches to the market in May 2012.

Chengdu

Chengdu ICC (30% owned by the Group)

Chengdu ICC, Chengdu (artist's impression)

Chengdu ICC is in a prime area of Dongdajie commercial and financial district near the second ring road and River Shahe, with a panoramic view of Tazishan Park. It will be connected to a metro station linking the currently under-construction Line No. 2 and the proposed Line No. 8, and will be just two stops from the Chengdu East rail station offering easy access to other parts of the country. This project will have over 13,000,000 square feet of gross floor area, including two distinctive 280-metre towers regarded as the "Tianfu Gateway". The development will include Grade-A offices, a modern shopping mall, a five-star hotel, an observation deck and luxury residences. Construction of the first ten residential towers with 1,600,000 square feet of gross floor area has already commenced and the first phase of the deluxe "Sirius" residence will be launched to the market shortly.

Chongqing

Grand Waterfront (100% owned by the Group)

Grand Waterfront, Chongqing (artist's impression)

Adjacent to a municipal park in the Nan'an District, Grand Waterfront will be a luxury riverside residential development, complemented by a commercial area, a kindergarten and clubhouse facilities. The uniquely-designed, rhythmic grouping of its 23 apartment towers will offer most of its 3,050 residential units an expansive southern view of the Yangtze River. The whole project, with a total gross floor area of approximately 3,700,000 square feet, will be completed in four phases. Phase 1 of about 1,000,000 square feet featuring about 892 apartments is now under construction and planned for completion in the second quarter of 2012. The first batch was launched for sale in October 2011.

Villa Green (100% owned by the Group)

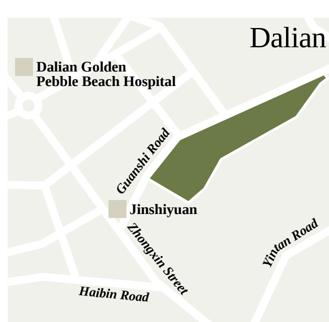
Villa Green, Chongqing (artist's impression)

Located on a site next to the Chengdu-Chongqing Expressway with many scenic attractions such as Caiyun Lake and Jade Park in the proximity, this 2,800,000-square-foot development is planned to comprise residential apartments, clubhouse, kindergarten and shopping facilities, providing homes for over 2,000 families. The entire project will be completed in three phases and Phase 1 development, including 306 residential units with a total gross floor area of about 500,000 square feet, was already completed in November 2011 and cumulatively nearly 50% of it has been sold since its launch in late 2010.

Dalian

Jin Shi Tan project (100% owned by the Group)

Jin Shi Tan project, Dalian (artist's impression)



In Jin Shi Tan, a land lot of about 3,200,000 square feet is to be developed into a low-density luxury residential project, complemented by a resident clubhouse and commercial facilities, providing an aggregate gross floor area of about 1,600,000 square feet for 400 houses. Site preliminary works are in progress and the first batch of 182 houses is expected to be launched in 2013.

Xiao Yao Wan Composite Development (formerly known as Wolong Bay Composite Development) (100% owned by the Group)

Designed by world-renowned Aedas Limited, this composite commercial and residential development project will have over 8,700,000 square feet of gross floor area. Site preliminary works had commenced.

Nanjing

Treasure Garden (90.1% owned by the Group)

Treasure Garden, Nanjing (artist's impression)

Located at the downtown area of Qixia District, Treasure Garden contains 605 luxury residences with a total gross floor area of approximately 900,000 square feet. With Maigaoqiao metro station nearby, this residential project also enjoys plenty of lifestyle and daily amenities such as healthcare, cultural and sports facilities in its vicinity. Construction is progressing smoothly. It is scheduled for single-phased completion by the third quarter of 2013 and sale launch is expected to be held in the third quarter of 2012.

Emerald Valley (100% owned by the Group)

Emerald Valley, Nanjing (artist's impression)

Emerald Valley is a high-end residential project set in a leafy parkside location in the university town of Xianlin New District. The development is complemented by convenient facilities including a nursery, cultural amenities and a community centre and enjoys a wide array of other facilities and transportation convenience with the opening of a new metro system. The entire project is planned to be completed in three phases, providing an aggregate gross floor area of about 1,600,000 square feet of gross floor area for over 1,000 families. About 450,000 square feet of residential premises in Phase 1 will be completed in the first quarter of 2013, and the first batch of pre-sale units was launched in late 2011.

Shanghai

Greentech Tower, 147 Tianmu Road West, Zhabei District (100% owned by the Group)

Greentech Tower, 147 Tianmu Road West, Zhabei District, Shanghai (artist's impression)

Greentech Tower, as its name denotes, underlines the Group's long-standing commitment to building green and hi-tech developments. Comprising 22 storeys of energy-efficient Grade-A offices and 3 levels of retail podium, Greentech Tower was newly completed in January 2012, adding 400,000 square feet of quality space to the Group's mainland rental portfolio. With convenient access to Shanghai Railway Station and Metro Line No. 1, Greentech Tower has been well-received by domestic and foreign companies during its pre-leasing.

Lot 688, Nanjing Road West, Jingan District (100% owned by the Group)

Lot 688, Nanjing Road West, Jingan District, Shanghai (artist's impression)

The project at Lot 688 Nanjing Road West, which provides a total gross floor area of approximately 700,000 square feet comprising a 22-storey office tower plus a 2-level retail podium, is set to be another landmark in Jingan District due to its innovative, quartz-like façade designed by internationally renowned Japanese architect Tange Associates. Construction is now under way and it will be held for leasing upon completion in the third quarter of 2013.

Shenyang

Shenyang International Finance Centre (100% owned by the Group)

Shenyang International Finance Centre, Shenyang (artist's impression)

Shenyang International Finance Centre is located in the Shenyang Finance and Trade Development Zone. To the northwest is the Shenyang North Railway Station, whilst a metro station is also within walking distance, bringing added convenience to this project. This project will comprise serviced apartment buildings, a suite hotel, an office tower and a shopping mall, providing a total gross floor area of 5,700,000 square feet.

Golden Riverside (100% owned by the Group)

Golden Riverside, Shenyang (artist's impression)

Located in the scenic Puhe New District Development with many beautiful natural landmarks such as Yueya Lake, Pu River, parks and hills within the vicinity, the site will be developed in phases into a low-rise and low-density residential development with a total gross floor area of about 11,500,000 square feet. Its first phase of development, with a total gross floor area of about 290,000 square feet, is due for completion in the fourth quarter of 2012 and its 68 villas will be launched for pre-sale in 2012. Construction of its second phase of development, comprising 316 villas and multi-storey apartments with a total gross floor area of around 1,270,000 square feet, is also underway with the planned completion in the fourth quarter of 2013.

Suzhou

Riverside Park (100% owned by the Group)

Riverside Park, Suzhou (artist's impression)

Riverside Park, a community development project in Xiangcheng District, is supported by increasingly improved facilities. Benefiting from Suzhou's picturesque beauty and reputation as the "Venice of the East", its residential development nestles among scenic water-themed surroundings. The entire residential project will have over 6,800,000 square feet of gross floor area to be completed in five phases. Phase 1 of about 600 luxury residences with a total gross floor area of about 700,000 square feet is now under construction with the planned completion in the first quarter of 2012. During the year under review, the first batch of 352 residential units already launched was virtually sold out. Following the groundbreaking in December 2010, construction of its comprehensive commercial facilities commenced and upon completion 252-meter twin towers and two 62-storey office towers will be built, supported by shopping area, exhibitions and multi-purpose convention centres, providing an aggregate commercial gross floor area of over 10,000,000 square feet.

Tieling

New Town Central District Development (100% owned by the Group)

New Town Central District Development, Tieling (artist's impression)

Located next to the administration centre of the municipal government with the scenic Yuyi Lake in the proximity, a land lot of approximately 2,750,000 square feet will be developed into an exhibition centre, as well as office-cum-commercial complexes with a total gross floor area of approximately 4,900,000 square feet. Construction will commence soon and the first phase of about 900,000 square feet is expected to be completed in the second quarter of 2014.

Lotus Lakeside (100% owned by the Group)

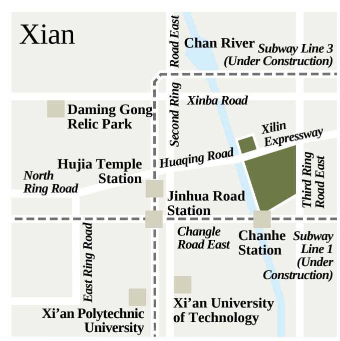
Lotus Lakeside, Tieling (artist's impression)

Adjacent to the scenic Lotus Lake, a land parcel of approximately 9,500,000 square feet will be developed into a low-density residential community with luxury villas and comprehensive facilities, providing a total gross floor area of approximately 3,800,000 square feet. Construction will commence soon and the first phase of about 670,000 square feet is expected to be completed in the third quarter of 2015, providing 126 houses.

Xian

La Botanica (50% owned by the Group)

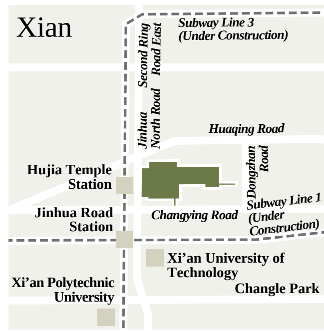
La Botanica, Xian (artist's impression)



Jointly developed by the Group and Temasek Holdings (Private) Limited of Singapore, La Botanica is located within the scenic Chan Ba Ecological District with a subway line under construction connecting it to the city centre. This community development will have a total gross floor area of about 33,000,000 square feet, providing homes for up to 25,000 families upon full completion. Phase 1A, which comprises 16 low to mid rise blocks with total gross floor area of about 1,200,000 square feet, was completed in March 2011 with its 981 units being sold out. Phase 2A named "Salamanca", which consists of 432 units including terraced houses with a total gross floor area of about 930,000 square feet, is due for completion in the first quarter of 2012 and cumulatively, over 160 units have been sold since its launch in the fourth quarter of 2010. "Lu Wan", Phase 1B of this development with a total gross floor area of about 2,000,000 square feet, was launched for pre-sale in the fourth quarter of 2010 and 1,445 units have been snapped up with the scheduled completion in the second half of 2012. Phase 3A consisting of 3,560,000 square feet of residences is also under construction and they are expected to be completed in the first quarter of 2014. Pre-sale was launched in October 2011 and about 20% of its 3,767 apartments has been sold.

Palatial Crest (100% owned by the Group)

Palatial Crest, Xian (artist's impression)



Adjacent to the Hujiamiao subway station, which is now under construction, Palatial Crest is conveniently located at Jin Hua North Road on the main artery of Second Ring Road East. The entire project will be completed in three phases, offering a total residential gross floor area of over 3,400,000 square feet for 3,000 families. This project has been a market focus since its launch in the fourth quarter of 2010 and the first phase of about 530,000 square feet was virtually sold out and it is scheduled for completion in the second quarter of 2012. Construction of another 2,160,000 square feet of deluxe high-rise residential units in phase two commenced in the first quarter of 2012 and they will be released to the market in the third quarter of 2012.

Xuzhou

Xuzhou Lakeview Development (100% owned by the Group)

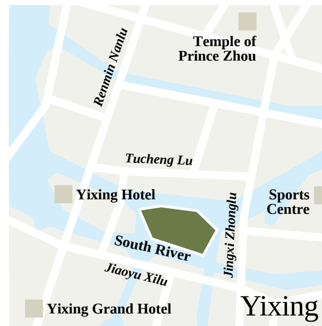
Xuzhou Lakeview Development, Xuzhou (artist's impression)

Catering to mid to high-end home buyers, Xuzhou Lakeview Development benefits from the beautiful natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. The project, which includes luxury detached houses, high-rise apartments, commercial premises and other facilities, will be completed in four phases, providing a total residential area of approximately 4,500,000 square feet for over 3,600 families. Phase 1A of nearly 700,000 square feet in 402 residences is now under construction with planned completion in the fourth quarter of 2012. 365 units in the initial batch have been snapped up amid an overwhelming market response with record prices achieved since their launch in the fourth quarter of 2011. Construction of another 1,800,000 square feet for 1,290 premium residences is now underway with planned completion in the second half of 2013.

Yixing

Island Palace (100% owned by the Group)

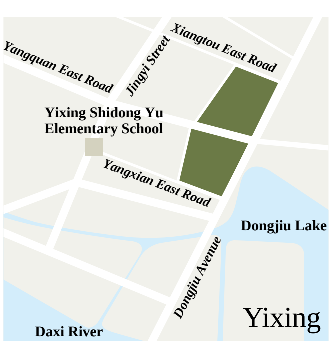
Island Palace, Yixing (artist's impression)



In a serene location on an island close to the bustling Yicheng town centre, a site of about 400,000 square feet is being developed into a luxury residential community and upon its single-phased completion by the end of 2013, there will be villas, duplexes and high-rise apartments and a residents' clubhouse, providing a total gross floor area of about 700,000 square feet for 306 households. It will make its first foray into the market in the fourth quarter of 2012.

Grand Lakeview (100% owned by the Group)

Grand Lakeview, Yixing (artist's impression)



Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a 5-minute drive away from the city centre. To be completed in 11 phases, this lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 square feet for over 6,800 families. Construction is underway and Phases 1A, 1B and 1C totalling about 1,800,000 square feet of residences will be launched for pre-sale in the second quarter of 2012 with the scheduled completion in the third quarter of 2013.

Major Investment Properties

As at the year end, the Group had 6.5 million square feet of completed investment properties in mainland China, comprising mainly offices and shopping malls in prime locations in Beijing, Shanghai and Guangzhou. During the year under review, the Group's attributable gross rental income and net rental income increased by 91% to HK$916 million and by 149% to HK$584 million, respectively.

Major Completed Mainland Investment Properties

Project name and location	Lease expiry	Group's interest (%)	Attributable gross floor area (million square feet)			
			Commercial	Office	Carparks	Total
World Financial Centre, Beijing	2044	100	0.13	1.98	-	2.11
Beijing Henderson Centre, Beijing	2033	100	0.89	-	0.24	1.13
Henderson Metropolitan, Shanghai	2053	100	0.41	0.42	-	0.83
Office Tower II, Grand Gateway, Shanghai	2043	100	-	0.69	-	0.69
Centro, Shanghai	2042	100	0.06	0.37	-	0.43
Skycity, Shanghai	2042	100	0.29	-	0.10	0.39
Heng Bao Plaza, Guangzhou	2040	100	0.70	-	0.22	0.92
			2.48	**3.46**	**0.56**	**6.50**

Status of Major Completed Investment Properties

Beijing

World Financial Centre, Chaoyang District (100% owned by the Group)

Designed by the world-famous architect Cesar Pelli as twin "crystal jewel boxes" incorporating special effect façade lighting on the exterior, World Financial Centre is the only property in Beijing to have achieved the highest possible "Platinum" rating from both the United States Green Building Council's LEED and HK-BEAM. As such, many famous financial institutions and multinational corporations were attracted as its new office tenants, which included Rabobank, CITIC Prudential Insurance Company, British Petroleum and Shell China, whilst Michelin-starred Cantonese restaurant "Cuisine Cuisine" from Hong Kong has also established a presence on the commercial podium. These two 22-storey, 2.1 million-square-foot International Grade-A office complex recorded a 170% growth in rental income to HK$330 million with a leasing rate exceeding 90% at 31 December 2011.

World Financial Centre, Chaoyang District, Beijing

Beijing Henderson Centre, Dongcheng District (100% owned by the Group)

For the shopping mall at Beijing Henderson Centre, the opening of a large-scale gourmet hall and an upscale supermarket in its basement floors has drawn more shoppers, leading to a satisfactory leasing performance. The Group will continue to actively optimize its tenant mix so as to offer customers a fresh shopping experience.

Shanghai

Henderson Metropolitan, Huangpu District, Shanghai

Henderson Metropolitan, Huangpu District (100% owned by the Group)

Strategically located at the start of the Nanjing Road East pedestrian avenue with a distinctive façade designed by world-renowned Tange Associates, Henderson Metropolitan is a new icon for Shanghai and the grand opening ceremony held on 11 November 2011 officially heralded the arrival of this highly-anticipated commercial complex in town. Occupied by many Fortune 500 companies such as Oracle, Mitsubishi, Lufthansa and Dentsu, its super Grade-A office space of over 400,000 square feet has been fully let. With direct access to Metro Lines No. 2 and 10, its 400,000-square-foot shopping mall is a major draw for trend-setters looking for in-style fashion items and technology gadgets. It is also one of the malls in Shanghai with the most flagship stores including Apple's largest outlet in Asia, as well as the China flagship stores of Sasa and Azul by Moussy. During the year under review, a total rental income of HK$156 million was recorded by this project.

Office Tower II, The Grand Gateway, Xuhui District, Shanghai

Office Tower II, The Grand Gateway, Xuhui District (100% owned by the Group)

Designed by Callison Architecture Inc. of the United States in a tetragonal prism shape with circular corners, the 50-storey Grand Gateway Office Tower II atop Xujiahui metro station houses many multinational corporations such as Microsoft, Adidas, Tesco and Yum! Brands Inc and its leasing rate at the end of 2011 was 99%.

Centro, Zhabei District, Shanghai

Centro, Zhabei District (100% owned by the Group)

Centro, which was awarded the Gold rating of LEED and Platinum rating of BEAM, boasts approximately 370,000 square feet of Grade-A office space and 60,000 square feet of retail area. Both office and retail portions were fully let at 31 December 2011.

Skycity, Zhabei District, Shanghai

Skycity, Zhabei District (100% owned by the Group)

Skycity comprises a four-storey commercial podium and 272 basement car parking spaces in the heart of the Zhabei District. With Shanghai Railway station and Metro Line No. 1 in its proximity, Skycity draws huge pedestrian traffic and it was fully let by the end of 2011.

Guangzhou

Heng Bao Plaza, Liwan District (100% owned by the Group)

Heng Bao Plaza, located right above the Changshou Road subway station, is famous for its wide collection of trendy boutiques and delicious cuisines from all over the world. Large-scale retailers and fast food chains are also located there, offering one-stop shopping convenience to its captive customers from neighbouring residential developments. Heng Bao Plaza recorded a 23% growth in rental income with over 95% leasing rate by the end of 2011.

Joint-Venture Development in Macau

In April 2005, the Group entered into an agreement to jointly develop a large-scale waterfront development with a site area of approximately 1.45 million square feet in Taipa, Macau. The project is subject to application for land-use conversion with the total gross floor area to be finalized.

FUELLING A

CLEANER FUTURE

The Hong Kong and China Gas vision is to become Asia's leading energy supplier. It has 138 projects in mainland China covering city-gas, midstream and upstream ventures, new energy development and utilization, as well as water businesses, telecommunications and other projects. As a major piped city-gas supplier on the mainland, Hong Kong and China Gas provides clean energy natural gas to about 14 million homes and businesses. During the year, its new methanol plant in Inner Mongolia commenced operations, reinforcing the leading role it is taking in the new energy sector where it is making solid progress in the development and utilization of unconventional, environmentally friendly energy.

Subsidiary & Associated Companies

Henderson Investment Limited ("HIL")

(67.94%-owned by the Company)
Stock code: 97 Website: www.hilhk.com

For the year ended 31 December 2011, HIL's turnover amounted to HK$299 million, representing a decrease of HK$18 million, or 6%, compared to HK$317 million for the previous year ended 31 December 2010. Such decrease in turnover is mainly attributable to the period-on-period decrease of approximately 25% in the average monthly traffic volume of the toll bridge in Hangzhou, which was HIL's core asset, during the period from 1 July 2011 to 31 December 2011. This was due to (i) accidental damage to one of the link bridges of the toll bridge on 15 July 2011 which resulted in the four lane two-way traffic being temporarily reduced to two lanes of two-way traffic in the affected area of the toll bridge until the toll bridge was fully open to traffic, effective from 1 October 2011; and (ii) the implementation by Hangzhou Municipal Government of certain new policies which control the traffic flow of vehicles during certain peak hours each day, effective from 8 October 2011.

Profit attributable to equity shareholders for the year ended 31 December 2011 amounted to HK$108 million, representing a decrease of HK$55 million or 34% from HK$163 million for the year ended 31 December 2010. The decrease in profit was attributable to the fact that in the previous year, a total profit of HK$39 million was received from certain one-off items which included a net gain of HK$26 million from the disposal of a toll highway in Maanshan, Anhui Province.

HIL has a 60% interest in Hangzhou Henderson Qianjiang Third Bridge Company Limited ("the Joint Venture Company") which has been granted the operating right of the above-mentioned Qianjiang Third Bridge for a period of 30 years from 20 March 1997 (commencement date of bridge operation). This project was approved by Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) (發展和改革委員會(前稱為國家發展計劃委員會)) in 1999. The General Office of the People's Government of Zhejiang Province notified Zhejiang Province Department of Communications and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of Qianjiang Third Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012). The Joint Venture Company immediately took action for clarification and had obtained from the Hangzhou Municipal Bureau of Communications a written pledge that the operation period for 30 years would remain unchanged and they were also of the view that the operating right and the toll fee collection right should be for a same period. For the sake of reassurance, the Joint Venture Company wrote to the People's Government of Zhejiang Province and Zhejiang Province Department of Communications (collectively the "Authorities") in June 2011 requesting for their confirmation that both the operating right and the toll fee collection right last for a same period of 30 years. Since June 2011 when the Joint Venture Company wrote to the Authorities requesting for the confirmation, the Joint Venture Company has been chasing after the relevant government officials on several occasions, but no reply had been received from the Authorities for over six months. The Joint Venture Company therefore decided to take one further step and on 9 February 2012 filed with Legislative Affairs Office, the People's Government of Zhejiang Province an administrative reconsideration application. The application was to seek an order to oblige the Authorities to carry out their statutory duties to officially confirm that the toll fee collection right of the Qianjiang Third Bridge should be for a period of 30 years. Whilst HIL was still waiting for the result of the application, the Joint Venture Company on 20 March 2012 received a letter dated 18 March 2012 from 杭州市城市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou to record the traffic flow and make payment of toll fee of the Qianjiang Third Bridge pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Joint Venture Company and the Hangzhou Toll Office. In the letter, the Hangzhou Toll Office stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of Qianjiang Third Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of Qianjiang Third Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement, continue to record the traffic flow of Qianjiang Third Bridge and work with the Joint Venture Company. The Joint Venture Company has been instructed by HIL to write to the Hangzhou Toll Office to state that the action taken by the Hangzhou Toll Office has no legal or contractual basis and is unacceptable and to ask the Hangzhou Toll Office to clarify the basis of their action and to continue to perform their obligations under the Collection Agreement, failing which the Joint Venture Company would have no alternative but to take legal actions to protect its interest.

HIL has obtained legal opinion from an independent PRC law firm and has received firm advice that the toll fee collection right enjoyed by the Joint Venture Company should be for the same period of 30 years as the operating right enjoyed by the Joint Venture Company. Based on such advice, amortization and calculation of the recoverable amount of the intangible operating right in the preparation of the consolidated accounts of HIL for the year ended 31 December 2011 are on the basis that both the operating right and the toll fee collection right of the Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to the response of the Authorities and whether they would ultimately confirm that the toll fee collection right of the Qianjiang Third Bridge should be for a period of 30 years. HIL will continue to negotiate with the Authorities and take all necessary actions to protect its interest. If the Authorities confirm that the toll fee collection right of the Qianjiang Third Bridge should last for a period different from the period of the operating right and/or the Authorities negotiate other arrangements with HIL (such as buying out HIL's interest in Qianjiang Third Bridge or paying compensation to HIL), all of which are still uncertain, HIL would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right.

Currently, the operating assets of HIL comprise its interest in the Qianjiang Third Bridge. If HIL ceases to have an economic interest in the Qianjiang Third Bridge, the directors of HIL would, if appropriate opportunity arises, identify suitable investments for HIL. In the event that no suitable investments are identified and acquired by HIL, its assets would consist substantially of cash. As a result, The Stock Exchange of Hong Kong Limited may consider that HIL does not have a sufficient level of operations or sufficient assets to warrant the continued listing of HIL's shares and may suspend dealings in or cancel the listing of the shares.

The Hong Kong and China Gas Company Limited

(39.88%-owned by the Company)
Stock code: 3 Website: www.towngas.com

Towngas China Company Limited

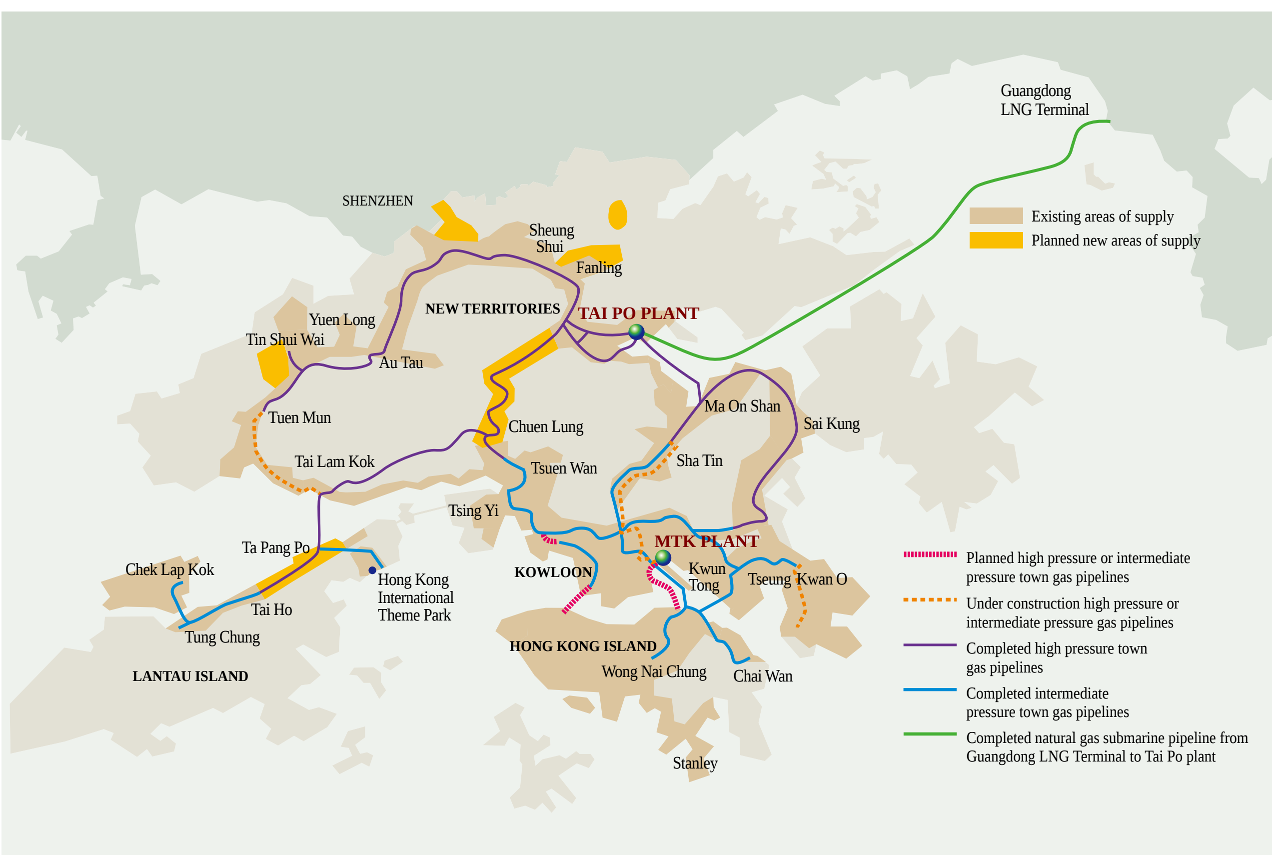
(66.18%-owned by The Hong Kong and China Gas Company Limited)
Stock code: 1083 Website: www.towngaschina.com

Background and Lines of Business

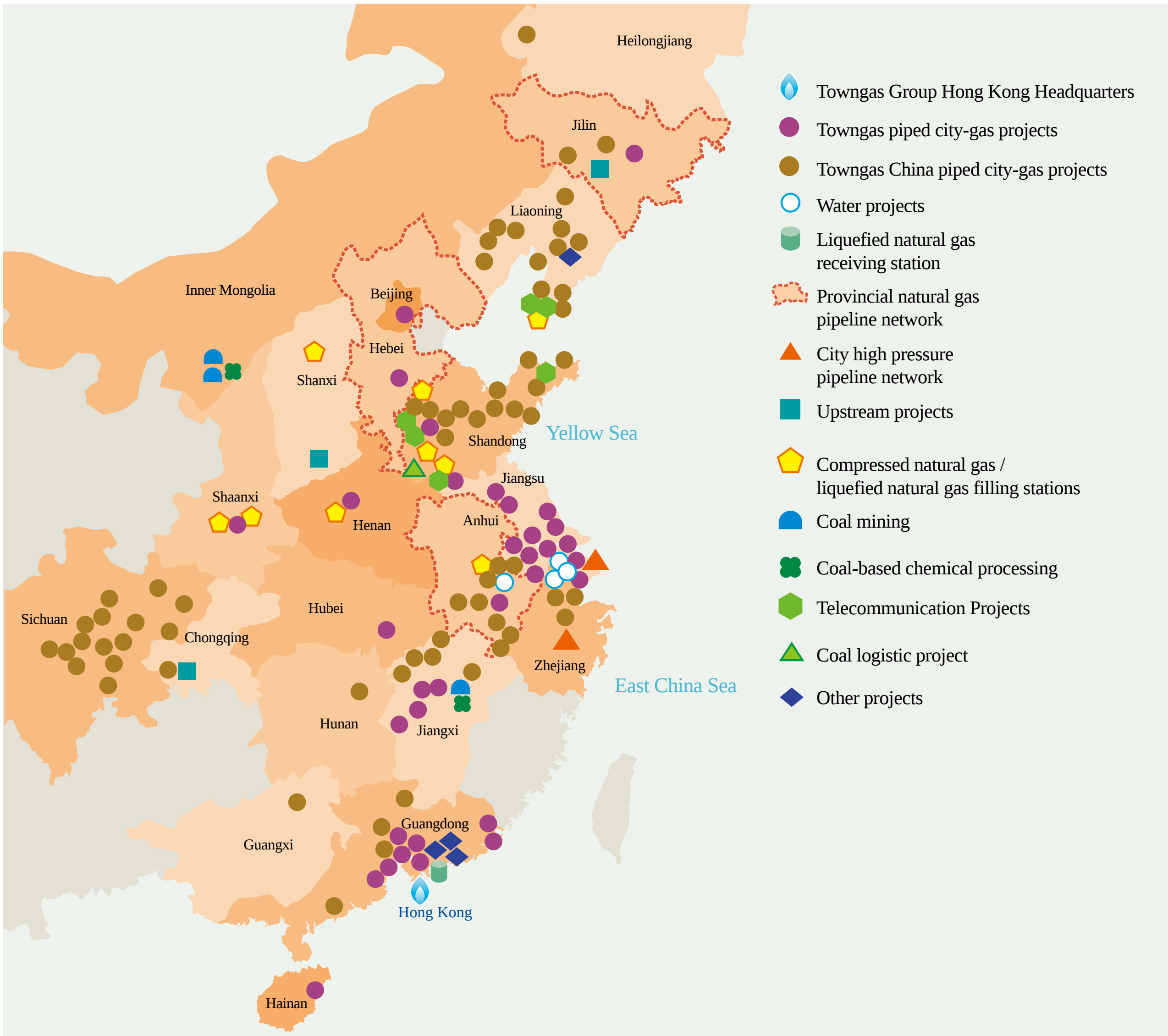
(I) Hong Kong Core Businesses

Founded in the United Kingdom in 1862 and listed in Hong Kong since 1960, The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") was Hong Kong's first public utility and today remains its sole supplier of piped town gas.

Hong Kong and China Gas's piped city-gas, referred to as "town gas", is produced at two production plants located at Tai Po and Ma Tau Kok in Hong Kong. Major supplies of 97% come from the Tai Po Plant, with the Ma Tau Kok Plant making up the rest. With a pipeline network consisting of more than 3,400km of gas pipes, Hong Kong and China Gas supplies town gas to over 1.75 million customers in Hong Kong. Based on the ratio of the number of Hong Kong and China Gas's total residential customers to the number of domestic households, it has a penetration rate of more than 70% among Hong Kong households. Its gas infrastructure has grown and improved over the years, such that the customers today enjoy a supply continuity rate of over 99.99%, one of the best in the world.



Hong Kong and China Gas' network in Hong Kong



Hong Kong and China Gas' business in mainland China

Commencing in 2006, Hong Kong and China Gas has used naphtha and natural gas to produce town gas, with an increasing focus on natural gas. The signing of a 25-year agreement with Guangdong Dapeng in 2004 has ensured a stable price and reliable supply of natural gas to Hong Kong and China Gas.

(II) Mainland China Businesses

Hong Kong and China Gas first began its mainland business with a joint venture in Guangdong province in 1994, at which time it served approximately 5,000 customers. A significant milestone was reached in December 2006 when it agreed to acquire an approximately 43.97% equity stake in Towngas China Company Limited ("Towngas China", formerly known as Panva Gas Holdings Limited), a well-established mainland China piped city-gas operator, in exchange for interests in ten Hong Kong and China Gas's piped city-gas projects in Shandong and Anhui provinces.

In order to complement downstream piped city-gas joint venture projects, Hong Kong and China Gas has made investments in mid-stream transportation projects that connect the upstream supplier and the downstream piped city-gas provider. It has also participated in some upstream projects including the exploitation and sale of petroleum and natural gas. Hong Kong and China Gas also operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province.

(III) Diversified Businesses

Through its wholly-owned subsidiary, ECO Environmental Investments Limited and its subsidiaries (collectively known as "ECO"), Hong Kong and China Gas has diversified into various alternative energy and environmentally-friendly businesses including Liquefied Petroleum Gas ("LPG") vehicle filling stations and the utilisation of landfill gas. To date, ECO is operating five dedicated LPG filling stations in Chai Wan, Mei Foo, Tuen Mun, West Kowloon and Wan Chai, providing 24-hour gas filling services for approximately 20,000 taxis and light buses in Hong Kong. ECO's landfill gas project began operations in May 2007, following several years of construction. Treated landfill gas is transported to its Tai Po Plant, serving as a partial substitute for naphtha as a feedstock for town gas production. The use of landfill gas greatly reduces the amount of methane and carbon dioxide (both significant sources of global warming) released into the atmosphere, whilst the reduced use of naphtha, which comes from the cracking of fossil fuel, will also enable greater conservation of resources.

In the mid-1990s, Hong Kong and China Gas entered the local property development business in Hong Kong, with the aim of realising the potential of its land resources and maximising returns to its shareholders by deploying its excess cash. In 1995, Hong Kong and China Gas took a 45% equity interest in the King's Park Hill development project, which was completed in early 2000 with a mixture of luxury houses and apartments. In 1996, it participated in the development of International Finance Centre, a landmark project in the heart of Hong Kong, and it currently holds a 15.8% stake in the development. Grand Promenade and Grand Waterfront, two residential developments, were also co-developed by Hong Kong and China Gas and Henderson Land. It has a 50% interest in the Grand Promenade project at Sai Wan Ho, while for the Grand Waterfront at the former south plant site at Ma Tau Kok, it is entitled to 73% of the net sales proceeds of the residential portion. In addition, Hong Kong and China Gas has full interest in the commercial portion comprising 150,000 square feet and approximately 300 car parking spaces.

Results for the Year Ended 31 December 2011

Profit after taxation attributable to shareholders of this group for the year amounted to HK$6,149.6 million, an increase of HK$564.8 million compared to 2010 mainly due to growth in profit of mainland businesses. During the year under review, this group invested HK$4,725.1 million in production facilities, pipelines, plants and other fixed and intangible assets.

(I) Gas business in Hong Kong

The total volume of gas sales in Hong Kong for the year 2011 rose by 2.1%, whilst appliance sales also increased by about 8% compared to 2010. As at the end of 2011, the number of customers was 1,750,553, an increase of 26,237 compared to 2010. Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is expected to be substantially completed within 2012. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also in progress. In tandem with the government's development of West Kowloon, South East Kowloon and a cruise terminal, network planning, design and construction in these locations are underway. Construction of a new submarine pipeline from Ma Tau Kok to North Point will commence in 2012. Meanwhile, new gas mains have been laid to Lei Yue Mun.

(II) Utility businesses in Mainland China

At the end of December 2011, this group had an approximately 66.18% interest in Towngas China Company Limited ("Towngas China"; stock code: 1083), whose profit after taxation attributable to its shareholders amounted to HK$709 million in 2011, an increase of approximately 62.6% over 2010. In 2011, Towngas China acquired five new projects located in Xiushui county and Wuning Industrial Park, both in Jiujiang, Jiangxi province; in Miluo, this group's first in Hunan province; in Bowang New District, Maanshan, Anhui province; and in Beipiao, Liaoning province.

This group's city-gas businesses progressed well in 2011, with two new projects successfully established in Chaozhou, Guangdong province and Jingxian county, Hengshui, Hebei province. Inclusive of five new projects established by Towngas China in 2011, this group had 100 city-gas projects in mainland cities spread across 19 provinces/municipalities/autonomous regions as at the end of 2011. During the year under review, the number of gas customers on the mainland reached approximately 13.2 million and total volume of gas sales also exceeded ten billion for the first time, attaining 10,300 million cubic metres. This group is now the largest city-gas enterprise on the mainland.

This group's midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province, Hangzhou, Zhejiang province and Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; and a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province.

During the third quarter of 2011, this group added a second integrated wastewater treatment project, for a special industry, to its existing integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. Together with water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, this group has so far invested in and operates four water projects.

(III) Emerging environmentally-friendly energy businesses

This group's development of emerging environmentally-friendly energy projects, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), is progressing well.

ECO's coalbed methane and non-conventional methane utilisation businesses have been developed based on the technology and operational experience gained from its landfill gas utilisation project which has been successfully operating in Hong Kong for several years. Since 2008, ECO has been developing similar clean and environmentally-friendly energy projects on the mainland. A coalbed methane liquefaction facility located in Jincheng, Shanxi province was fully commissioned during the first quarter of 2011. The annual production capacity of the whole facility is 250 million standard cubic metres of liquefied coalbed methane. The facility has now become the largest liquefaction and utilisation project of its kind on the mainland.

ECO's coal-mine methane liquefaction project in Yangquan mining district, Shanxi province, is progressing as scheduled; construction is expected to commence in 2012 for commissioning in the first quarter of 2014. Coal-mine gas, which typically contains about 40% methane, will be used to produce liquefied methane by deploying coal-mine gas deoxidisation and coalbed methane cryogenic liquefaction technologies. This project has an estimated annual production capacity of about 80 million standard cubic metres.

ECO started to develop coal resources and coal chemical processing businesses in 2009. ECO has constructed a methanol production plant, with an annual capacity of 200,000 tonnes, in Junger, Erdos, Inner Mongolia. The plant is now at the pilot production stage and is expected to be fully commissioned in mid-2012. Construction of ECO's Xiaoyugou coal mine, which is associated with the methanol production plant, is also complete and pilot production started in early 2012. ECO acquired an operative open-pit coal mine in Inner Mongolia in September 2011 and this is now starting to contribute additional profits. ECO's coking coal mine and coking plant project in Fengcheng, Jiangxi province, is also on schedule; commissioning is expected in 2012. The main product, coke, will be used for refining steel, and its by-product, coke oven gas, will provide an additional gas source for this group's Fengcheng city-gas project.

ECO's energy-related logistics and facilities businesses originated from its five dedicated liquefied petroleum gas vehicular filling stations in Hong Kong. ECO started its gas filling station business on the mainland in 2008. Since then, ECO has gradually established a network of compressed and liquefied natural gas filling stations servicing heavy-duty trucks in Shaanxi, Shandong, Liaoning, Henan and Anhui provinces.

ECO's aviation fuel facility in Area 38, Tuen Mun, servicing Hong Kong International Airport, is operating smoothly. The facility supplied over 5 million tonnes of aviation fuel to the airport in 2011. Jetties are available for berthing large-scale tankers and for unloading these tankers' aviation fuel. ECO's facility, with a total storage capacity of 264,000 cubic metres, is now a major logistics base for supply of aviation fuel in Hong Kong.

ECO has also started a coal logistics business and to this end has set up logistics platforms in important coal distribution areas such as Qinhuangdao, Hebei province and Dandong, Liaoning province from which to launch its operations. ECO is also investing in the construction of an inland coal and bulk cargo logistic port in Jining, Shandong province to connect an upstream dedicated coal transportation railway with a downstream canal running to eastern China. The logistic port, with an annual throughput of 10 million tonnes, is expected to be commissioned in 2012.

Eco Aviation Fuel Facility consists of two jetties for berthing tankers

ECO set up a new-energy research and development centre in 2010 focusing on related application technologies. The centre has achieved good progress in developing innovative technologies for converting materials of low value, such as non-edible oil and coal tar oil, into clean fuel and substances of high value.

Overall, as at the end of 2011, inclusive of the projects of Towngas China, this group had 138 projects on the mainland, 18 more than that in 2010, spread across 21 provinces/municipalities/autonomous regions and encompassing upstream, midstream and downstream natural gas sectors, water supply and wastewater treatment sectors, natural gas vehicular filling stations, environmentally-friendly energy applications, energy resources, logistics businesses and telecommunications.

(IV) Property developments

All residential units of the Grand Waterfront property development project located at Ma Tau Kok south plant site had been sold by the end of December 2010, whereas those of Grand Promenade had also been sold by the end of the first quarter of 2011. Leasing of the commercial area of the Grand Waterfront property development project is good. Rental demand for the shopping mall and office towers of IFC complex, in which an approximately 15.8% interest is held by this group, continues to be robust. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and rental serviced apartments, remains high.

Financing programmes

In February 2011, this group concluded a HK$3,800 million 5-year syndicated term loan and revolving credit facility, mainly for refinancing a HK$3,000 million inaugural syndicated facility, taken up in 2006, and for its business development. The facility carries an interest margin of 0.49% per annum over HIBOR.

This group issued its first renminbi-denominated notes in Hong Kong in late March 2011 with a total amount of RMB1,000 million for a term of five years at a coupon interest rate of 1.4% (the "RMB Notes"). This group is the first company among Hang Seng Index Constituent Stocks in Hong Kong to raise funds through the offshore renminbi debt capital market. Inclusive of the RMB Notes, this group has issued medium term notes with, up to now, an aggregate amount equivalent to HK$6,070 million under its medium term note programme.

In April 2011, Moody's Investors Service upgraded both Towngas China's issuer and senior unsecured bond ratings from Baa3 to Baa2 with a stable outlook.

In 2011, Standard & Poor's Ratings Services launched the first credit rating benchmark developed especially for the region to assign credit ratings to borrowers active in mainland China, Hong Kong, and Taiwan (including the fast-growing offshore renminbi debt market). Hong Kong and China Gas was assigned the highest rating of cnAAA, whilst Towngas China was assigned cnA under this Greater China long-term credit rating scale.

This group predicts an increase of about 25,000 new customers in Hong Kong during 2012 and the combined results of its emerging environmentally-friendly energy businesses and mainland utility businesses will overtake the results of its Hong Kong gas business in 2012, and will have faster growth momentum than its Hong Kong gas business thereafter.

Hong Kong Ferry (Holdings) Company Limited

(31.36%-owned by the Company)
Stock code: 50 Website: www.hkf.com

Background and Lines of Business

After running a passenger ferry operation in the territory for over 70 years since its establishment in 1923, Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry", formerly known as The Hongkong and Yaumati Ferry Company Limited prior to a corporate restructuring in 1989) currently focuses on property development and investment; ferry, shipyard and related operations; and travel operations.

(I) Property Development and Investment

This group's completed property developments are listed as follows:

Metro Harbour View: Located at 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, it consists of 10 blocks of residential buildings, divided into 3,520 residential units, plus a 2-storey commercial arcade and about 1,100 car parking spaces.

Shining Heights: The project, situated at 83 Sycamore Street, is a 60-storey building of 700 feet high with gross floor area of approximately 336,000 square feet. It is the highest building in the district.

The Spectacle: The project at 8 Cho Yuen Street, Yau Tong has a total gross floor area of approximately 160,000 square feet.

MetroRegalia: Situated at 51 Tong Mi Road, the project has a total gross floor area of approximately 53,000 square feet.

It also has 3 houses in Cheung Sha, Lantau and a warehouse site in Yuen Long as investment properties.

(II) Ferry, Shipyard and Related Operations

Its passenger ferry operations ceased upon transfer of the local ferry licences in January 2001. The ferry operation is now confined to a dangerous goods vehicular ferry service. Meanwhile, it also runs a harbour cruise and restaurant service.

Its shipyard, built on a site of about 210,000 square feet at North Tsing Yi, provides ship repairing and maintenance services as well as certain civil engineering services. With over 60 years of experience in marine engineering, the shipyard is equipped with the largest and most advanced Syncrolift in Hong Kong. The Syncrolift has a lifting capacity up to 3,400 tonnes, and can lift up various vessels ranging from 40 feet to 200 feet. Equipped with a flexible ship transfer system, the Shipyard can drydock ten vessels simultaneously.

By converting four vehicular ferries into cruise vessels with each vessel accommodating over 300 guests, "Harbour Cruise – Bauhinia" has provided cruise services in Hong Kong waters since 1998 and passengers can enjoy stunning views of both sides of Victoria Harbour.

(III) Travel Operations

Established in 1983, HYFCO Travel provides comprehensive travel services including local tours, China tours, overseas tours, ship and train ticketing, and hotel reservation. HYFCO Travel has a total of 9 agency offices located all over Hong Kong and Macau.

Results for the Year Ended 31 December 2011

This group's turnover for the year ended 31 December 2011 amounted to approximately HK$635 million, representing a decrease of 30% when compared to the previous year. This was mainly attributed to the decrease in the sales of the Shining Heights and The Spectacle. Its consolidated profit after taxation amounted to approximately HK$565 million, an increase of 17% as compared with the profit after taxation of HK$483 million in 2010.

This group sold 30 units in The Spectacle and 7 units in Shining Heights which accounted for a total profit of approximately HK$156 million for the year under review. A profit of HK$37 million was derived from the disposal of certain units of the commercial arcade of MetroRegalia. Rental and other income from its commercial arcade amounted to approximately HK$50 million. The occupancy rate of the commercial arcade at Shining Heights was 93%. The commercial arcade of Metro Harbour View was fully let.

The foundation works of the development project at Fanling Sheung Shui Town Lot No.177 ("Fanling project") have been completed. Superstructure works are in progress. The property will be developed into three residential towers built on a two-storey shopping podium mall with a total gross floor area of approximately 540,000 square feet.

As regards the project at 204-214 Tung Chau Street, demolition works have been done and superstructure works will commence at the end of the year. The project will be redeveloped into a commercial-cum-residential building with a total gross floor area of approximately 54,000 square feet.

Fanling Sheung Shui Town Lot No. 177, Fanling, Hong Kong (artist's impression)

This group acquired the site at the junction of Gillies Avenue South and Bulkeley Street Hung Hom Inland Lot No.555 in 2011. Foundation works will commence upon the completion of demolition works. The project will be developed into a commercial-cum-residential building with a total gross floor area of approximately 56,000 square feet.

During the year, the Harbour Cruise Operations achieved a profit of HK$4.7 million, representing a 15% increase over that of last year. Ferry Operations recorded a profit of HK$4.7 million, a decrease of 36% as compared with the profit for last year. Due to the provision for bad debts and the increased operating costs incurred on annual drydock of the ferries, the Ferry, Shipyard and Related Operations recorded a profit of only HK$5.5 million, a decrease of 44% as compared with the same period of last year.

During the year under review, this group achieved a profit of HK$245 million upon the disposal of Silvermine Beach Hotel. The Travel Operations Division registered an increase of 29% in its operating profit as compared with that for last year. Meanwhile, an impairment loss of HK$45 million was recorded in its available-for-sale securities investment during the year.

This group expects the residential units of the Fanling project to be sold in the second half of this year. The sales proceeds from this project and the remaining units of Shining Heights and The Spectacle are expected to be its main sources of revenue.

Miramar Hotel and Investment Company, Limited

(44.21%-owned by the Company)
Stock code: 71 Website: www.miramar-group.com

Background and Lines of Business

Based in Hong Kong, Miramar Hotel and Investment Company, Limited ("Miramar") was established in 1957 and has been listed on the Hong Kong Stock Exchange since 1970. Miramar has a diversified business portfolio covering hotels and serviced apartments, property investment, food & beverage, travel services and apparel retail business in Hong Kong, mainland China and the United States.

(I) Hotel and hotel Management business

Miramar solely owns and manages The Mira Hong Kong and Miramar Apartments in Shanghai. In addition, it provides management services for two hotels in Shekou, as well as for a serviced apartment complex in Hong Kong. In total, Miramar owns and/or provides management services for five hotels and serviced apartments in Hong Kong and mainland China.

(II) Property business

Opposite The Mira Hong Kong are the Miramar Shopping Centre and Miramar Tower, Miramar's premier investment properties with a total gross rentable area of over 1.0 million square feet.

(III) Food and Beverage business

In Hong Kong, Miramar operates two Tsui Hang Village restaurants: one located in the Miramar Shopping Centre, Tsim Sha Tsui and one in the New World Tower, Central. This group also operates one Sichuan restaurant named Yunyan Sichuan Restaurant at the Miramar Shopping Centre, two restaurant outlets at the IFC, namely Cuisine Cuisine and The French Window, as well as three new restaurants called Hide-Chan Ramen (a popular Japanese Ramen restaurant), Saboten (a traditional Japanese pork cutlet restaurant) and Assaggio Trattoria Italiana (an Italian restaurant) which commenced operation in 2011. Starting from 2011, it also introduced its Cantonese restaurant brand Cuisine Cuisine to Beijing and Wuhan in mainland China.

(IV) Travel business

Miramar Express, with more than two decades of experience, is the official Hong Kong general agent for Crystal Cruises, voted the World's Best Cruise by Conde Nast Traveller.

Miramar Group's new Italian restaurant, Assaggio Trattoria Italiana

This company also provides business and tourist shuttle services, airport transfers and even wedding rentals all the way to Guangdong Province. With branches across Hong Kong, Kowloon and the New Territories since its establishment in 2006, Miramar Travel is the trusted choice for providing worldwide tours, booking air tickets and hotels, cruise holidays, free and individual travel packages. In May 2009, Miramar Travel was appointed as Virgin Galactic's "Accredited Space Agent" – the first and only agent in Hong Kong allowed to reserve seats aboard Virgin Galactic's suborbital Space flights. The following year, its "Accredited Space Agent" authority expanded to Singapore, Malaysia, Thailand, Philippines, Indonesia and Taiwan.

(V) Apparel Retail business

Miramar has established retail outlets in major cities in mainland China, starting with top fashion brand DKNY Jeans, offering the latest looks to sophisticated consumers in cities including Beijing, Shanghai, Shenzhen, Guangzhou, Wuhan and Tianjin.

Results for the Year Ended 31 December 2011

For the financial year ended 31 December 2011, Miramar's turnover amounted to approximately HK$2,496 million, representing an increase of 18% as compared with 2010. Profit attributable to shareholders posted a growth of 69% to approximately HK$1,325 million (2010: HK$784 million). Excluding the net increase in the fair value of its investment properties, underlying profit attributable to shareholders for 2011 was approximately HK$411 million (2010: HK$378 million), representing a year-on-year increase of 9%.

Miramar operates five core businesses, namely Hotel and Hotel Management business, Property Rental business, Food and Beverage business, Travel business and the newly-developed Apparel Retail business.

Occupancy rate for The Mira Hong Kong (The "Mira"), its flagship hotel, rose from 80% in 2010 to 83% in the year and average room rate posted a growth of 19% from HK$1,470 to HK$1,760. EBITDA (earnings before interest, taxes, depreciation and amortization) of The Mira grew 52% to reach approximately HK$206.5 million. In 2011, it obtained the hotel management project for a boutique hotel in Wan Chai. The boutique hotel, which is currently under construction, will be operated under the brand name of "The Mira" and is expected to commence operation in 2013. The boutique hotel offers a total of approximately 100 guest rooms.

For this year, overall income of Property Rental Business recorded a growth of 15% over that of 2010. At the end of 2011, occupancy rate of Miramar Shopping Centre was approximately 100% and average unit rate also recorded a mild increase. With the completion of work in the first half of 2011, Grade A office building of Miramar Tower also achieved approximately 100% occupancy rate at the end of 2011 with average unit rate slightly increased as compared to 2010. The refurbishment work in the shopping centre at The Mira was completed in the fourth quarter of 2011.

Miramar operates Tsui Hang Village restaurants, Sichuan restaurant named Yunyan Sichuan Restaurant, Cuisine Cuisine and The French Window that are located at IFC, as well as three new restaurants, namely Hide-Chan Ramen (a popular Japanese Ramen restaurant), Saboten (a traditional Japanese pork cutlet restaurant) and Assaggio Trattoria Italiana (an Italian restaurant) which commenced operation during the year.

Miramar introduced its successful brand "Cuisine Cuisine" to the mainland China market. The first Cuisine Cuisine is located in the Central Business District of Chaoyang district, Beijing and was opened in September 2011. Varnishing and decoration of the other Cuisine Cuisine in Wuhan was completed and is expected to commence operation in April 2012. During the year, two Tsui Hang Village restaurants were temporarily closed for renovation. This, together with the write-off of pre-opening expenses of new restaurants, resulted in a loss for the overall Food and Beverage business.

Turnover of its Travel Business increased 7% to reach HK$1,055 million whilst EBITDA slightly dropped to approximately HK$25 million in 2011.

Miramar extended its reach to Apparel Retail Business in 2011 and became the distributor of DKNY Jeans in mainland China. At present, it owns and operates five DKNY Jeans stores in each of Shanghai and Beijing. In addition, it secured and engaged over 20 franchisees to operate DKNY Jeans franchised stores. At the end of 2011, there were over 40 stores operated by Miramar and franchisees. A negative EBITDA of approximately HK$4 million was sustained during the year.

Financial Review

Management discussion and analysis

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the year ended 31 December 2011.

Turnover and profit

	Turnover		Contribution/(loss) from operations	
	Year ended 31 December		**Year ended 31 December**	
	2011	2010	**2011**	2010
	HK$ million	HK$ million	**HK$ million**	HK$ million
Reportable segments				
– Property development	**9,692**	2,522	**2,186**	(211)
– Property leasing	**3,920**	3,157	**2,620**	1,933
– Construction	**44**	37	**(61)**	(30)
– Infrastructure	**299**	317	**197**	271
– Hotel operation	**224**	184	**84**	35
– Department store operation	**347**	307	**65**	54
– Other businesses	**662**	568	**257**	514
	15,188	7,092	**5,348**	2,566

	Year ended 31 December	
	2011	2010
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company		
– excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) held by the Group's subsidiaries, associates and jointly controlled entities	**5,560**	5,042
– including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) held by the Group's subsidiaries, associates and jointly controlled entities	**17,184**	15,820

The Group's turnover of HK$15,188 million for the year ended 31 December 2011 represents an increase of HK$8,096 million, or 114%, over that of HK$7,092 million in the previous year. Such increase was mainly attributable to the increase in revenue from property sales and property leasing during the year in the amounts of HK$7,170 million and HK$763 million, respectively, when compared with the previous year.

The Group underlying profit attributable to equity shareholders (before the fair value change of investment properties and investment properties under development) of HK$5,560 million for the year ended 31 December 2011 represents an increase of HK$518 million, or 10%, over that of HK$5,042 million in the previous year. Such increase was mainly attributable to the increase in profit contributions from operations of HK$2,782 million during the year, which was nevertheless being offset by the following major charges during the year:

(a) the absence of the one-off gain on disposal of the Group's interest in Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre ("Beijing Yansha") in the amount of HK$1,007 million which was recognised in the previous year;

(b) the increase in finance costs of HK$199 million which is mainly due to a higher level of bank and other borrowings during the year;

(c) the increase in taxation of HK$599 million, which is mainly due to (i) the deferred tax charge of HK$250 million upon the reversal of deferred tax arising from the deductible temporary differences relating to the elimination and capitalisation of expenses within the Group during the year; and (ii) the absence of a deferred tax credit of HK$353 million upon the recognition in the previous year of deferred tax assets relating to available tax losses of certain Hong Kong property projects; and

(d) the increase in profit after tax attributable to non-controlling interests of HK$509 million, which is mainly due to the recognition in the previous year of a loss after tax attributable to non-controlling interests of HK$512 million relating to the cancelled sales of 39 Conduit Road and which did not recur during the year.

Including the fair value change (net of non-controlling interests and deferred tax) of investment properties and investment properties under development held by the Group's subsidiaries, associates and jointly controlled entities, the Group profit attributable to equity shareholders of HK$17,184 million for the year ended 31 December 2011 represents an increase of HK$1,364 million, or 9%, over that of HK$15,820 million in the previous year. Such increase in the Group profit attributable to equity shareholders was mainly attributable to the increase in the Group's attributable share of fair value change of the investment properties and investment properties under development of HK$846 million during the year.

Discussions on the major reportable segments are set out below.

Property development

The gross revenue from property sales during the year ended 31 December 2011 amounted to HK$9,692 million (2010: HK$5,752 million, before deducting the revenue (net of forfeited deposits) of HK$3,230 million relating to cancelled sales). The Group did not recognise any cancelled sales which were entered into prior to the year ended 31 December 2011.

During the year ended 31 December 2011, the Group's share of aggregate net pre-tax profit from subsidiaries (after deducting non-controlling interests), associates and jointly controlled entities in relation to property development segment amounted to HK$2,079 million (2010: HK$539 million), comprising pre-tax profit contributions of:

(i) HK$1,974 million from subsidiaries (after deducting non-controlling interests) (2010: HK$329 million);

(ii) HK$42 million from associates, mainly in relation to the sales of units of Grand Promenade in which The Hong Kong and China Gas Company Limited ("HKCG") has a 50% equity interest and units of Shining Heights and The Spectacle held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry") (2010: HK$128 million); and

(iii) HK$63 million from jointly controlled entities, mainly in relation to the sales of units of Grand Promenade in which the Group has the other 50% equity interest (2010: HK$82 million).

Property leasing

Turnover and profit contribution from property leasing for the year ended 31 December 2011 increased by HK$763 million (or 24%) and HK$687 million (or 36%), respectively, over that in the previous year. In particular, such increases are mainly attributable to the following:

(i) increased turnover of HK$383 million and increased profit contributions of HK$320 million in relation to the improved occupancies of three recently completed properties in mainland China, namely World Finance Centre in Beijing as well as Centro and Henderson Metropolitan in Shanghai; and

(ii) the organic growth of other investment properties in Hong Kong and mainland China, in particular Manulife Financial Centre in Hong Kong which increased by HK$88 million in turnover and HK$110 million in profit contribution.

Gross rental revenue attributable to the Group during the year ended 31 December 2011 amounted to HK$5,805 million (2010: HK$4,865 million), of which HK$4,889 million (2010: HK$4,385 million) was generated in Hong Kong and HK$916 million (2010: HK$480 million) was generated in mainland China. In this regard, the Group's share of gross rental revenue comprises contributions from (i) subsidiaries (after deducting non-controlling interests) of HK$3,907 million (2010: HK$3,145 million); (ii) associates of HK$562 million (2010: HK$517 million); and (iii) jointly controlled entities of HK$1,336 million (2010: HK$1,203 million).

On the same basis, the Group's share of pre-tax net rental income in aggregate amounted to HK$4,169 million (2010: HK$3,344 million), of which HK$3,585 million (2010: HK$3,109 million) was generated in Hong Kong and HK$584 million (2010: HK$235 million) was generated in mainland China. In this regard, the Group's share of pre-tax net rental income comprises contributions from (i) subsidiaries (after deducting non-controlling interests) of HK$2,614 million (2010: HK$1,925 million); (ii) associates of HK$475 million (2010: HK$439 million); and (iii) jointly controlled entities of HK$1,080 million (2010: HK$980 million).

Construction

Turnover for the year ended 31 December 2011 increased by HK$7 million, or 19%, over that in the previous year which is mainly attributable to the incremental revenue contribution from a new major construction contract following the completion of certain other construction contracts during the year.

The loss from operations for the year ended 31 December 2011 increased by HK$31 million over that in the previous year which is mainly attributable to an additional depreciation charge of HK$27 million for the reason that the Group acquired additional construction plant and machinery in the aggregate carrying amount of HK$53 million during the year to undertake forthcoming construction activities of the Group's development projects.

Infrastructure

The Group's infrastructure business represents the operation of a toll bridge in Hangzhou, mainland China, which is held by Henderson Investment Limited, a subsidiary of the Company.

For the financial performance of the Group's infrastructure business for the year ended 31 December 2011, please refer to the paragraph headed "Henderson Investment Limited ("HIL")" under the section "Review of Operations" on pages 82 to 83 of the Company's annual report for the year ended 31 December 2011 of which this Financial Review forms a part.

Hotel operation

Turnover for the year ended 31 December 2011 increased by HK$40 million, or 22%, over that in the previous year which is mainly attributable to the increase in the occupancy rates and room tariffs of guestrooms during the year when compared with the previous year.

Profit contribution for the year ended 31 December 2011 increased by HK$49 million, or 140%, over that in the previous year which is mainly attributable to the aforementioned reasons as well as the absence during the year of an operating loss of HK$15 million relating to Newton Kowloon Hotel (which ceased business operation on 30 June 2010) recognised in the previous year.

Department store operation

Turnover and profit contribution for the year ended 31 December 2011 increased by HK$40 million (or 13%) and HK$11 million (or 20%), respectively, over that in the previous year. Such increases are mainly attributable to the continuing strong market sentiment of Hong Kong's retail sector during the year when compared with the previous year.

Other businesses

Other businesses mainly comprise provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Turnover for the year ended 31 December 2011 increased by HK$94 million, or 17%, over that in the previous year which is mainly attributable to the increase in the turnover from the trading of building materials, dividend income and disposal of leasehold land in the aggregate amount of HK$113 million.

Nevertheless, profit contribution for the year ended 31 December 2011 decreased by HK$257 million, or 50%, from that in the previous year which is mainly attributable to the decrease in the gains on disposals of fixed assets (mainly other land and buildings) and available-for-sale equity securities during the year in the aggregate amount of HK$290 million, which was partially offset by the increase in profit contribution of HK$81 million from project management services due to the increase in the Group's property sales revenue and property leasing revenue during the year.

Associates

The Group's share of post-tax profits less losses of associates during the year ended 31 December 2011 amounted to HK$3,711 million (2010: HK$2,908 million), representing an increase of HK$803 million, or 28%, over that in the previous year. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates of HK$1,200 million during the year ended 31 December 2011 (2010: HK$659 million), the Group's share of the underlying post-tax profits less losses of associates for the year ended 31 December 2011 amounted to HK$2,511 million (2010: HK$2,249 million), representing an increase of HK$262 million, or 12%, over that in the previous year. Such increase was mainly attributable to the following:

(i) the Group's share of increase in the underlying post-tax profit contribution from HKCG of HK$240 million, mainly due to the share of increase in profit contribution from the gas operation and related businesses of HK$331 million which is nevertheless partially offset by the share of decrease in profit contribution from property sales of HK$49 million (as the residential units of Grand Promenade were fully sold by the end of the first quarter of 2011) and the share of decrease in net investment gain of HK$41 million;

(ii) the Group's share of increase in the underlying post-tax profit contribution from HK Ferry of HK$29 million, mainly due to the share of the one-off gain on disposal of a hotel property during the year of HK$75 million, which is nevertheless partially offset by the share of decrease in profit contribution from property sales (Shining Heights and The Spectacle) of HK$16 million, the share of impairment loss on available-for-sale equity securities during the year of HK$14 million and the share of decrease in the gain on securities investments, interest income and exchange gain in the aggregate amount of HK$19 million; and

(iii) the Group's share of increase in the underlying post-tax profit contribution from Miramar Hotel and Investment Company, Limited of HK$15 million, mainly due to the share of increase in profit contributions from property leasing and hotel operation in the aggregate amount of HK$53 million, which is nevertheless partially offset by the share of decrease in profit contributions from food and beverage, travel and apparel business operations in the aggregate amount of HK$25 million and the share of increase in net realised and unrealised losses on trading securities of HK$14 million.

Jointly controlled entities

The Group's share of post-tax profits less losses of jointly controlled entities during the year ended 31 December 2011 amounted to HK$2,924 million (2010: HK$2,916 million), representing an increase of HK$8 million, or 0.3%, over that in the previous year. Excluding the Group's attributable share of changes in fair value of investment properties held by the jointly controlled entities of HK$1,887 million during the year ended 31 December 2011 (2010: HK$1,742 million), the Group's share of the underlying post-tax profits less losses of jointly controlled entities for the year ended 31 December 2011 amounted to HK$1,037 million (2010: HK$1,174 million), representing a decrease of HK$137 million, or 12%, from that in the previous year. Such decrease was mainly attributable to the following:

(i) the absence during the year of the Group's share of profit contribution of HK$195 million from the department store operation in mainland China recognised in the previous year, following the disposal of the Group's interest in Beijing Yansha in December 2010;

(ii) the Group's share of decrease in post-tax profit contribution of HK$44 million from the sale of residential units of Grand Promenade, which were fully sold by the end of the first quarter of 2011;

(iii) the Group's share of increase in the underlying post-tax profit contribution of HK$75 million from the IFC Complex, due to favourable rental reversions upon lease renewals of the Four Seasons Place and the increases in the average room rates and occupancy rates of the Four Seasons Hotel; and

(iv) the Group's share of increase in the underlying post-tax profit contribution of HK$12 million from the property leasing projects held by the other jointly controlled entities.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the year ended 31 December 2011 were HK$1,169 million (2010: HK$970 million). Finance costs before interest capitalisation for the year ended 31 December 2011 were HK$1,812 million (2010: HK$1,441 million). During the year ended 31 December 2011, the Group's effective borrowing rate was approximately 3.13% per annum (2010: approximately 2.64% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$8,968 million in the consolidated income statement for the year ended 31 December 2011 (2010: HK$9,538 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2011, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$3,890 million, with maturity terms between five years and twenty years. These notes are included in the Group's bank and other borrowings at 31 December 2011 as referred to in the paragraph "Maturity profile and interest cover" below.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and cash equivalents and the gearing ratio of the Group were as follows:

	2011 HK$ million	2010 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**19,699**	7,516
– After 1 year but within 2 years	**3,225**	16,407
– After 2 years but within 5 years	**13,903**	10,054
– After 5 years	**10,330**	7,662
Amount due to a fellow subsidiary	**8,583**	12,976
Total debt	**55,740**	54,615
Less: Cash and cash equivalents	**18,850**	9,797
Net debt	**36,890**	44,818
Shareholders' funds	**185,336**	159,038
Gearing ratio (%)	**19.9%**	28.2%

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the balance sheet date. The Group's gearing ratio decreased from 28.2% at 31 December 2010 to 19.9% at 31 December 2011, which is mainly attributable to the combined effect of, inter alia, (i) the Group profit attributable to equity shareholders of HK$17,184 million for the year ended 31 December 2011; and (ii) the increase in the Group's shareholders' funds at 31 December 2011 due to the enlargement of the Group's capital base by HK$10,026 million following the exercise during the year of 172,870,014 warrants by the holders thereof (including Henderson Development Limited, being the parent and ultimate controlling party of the Group controlled by the family of Dr the Hon. Lee Shau Kee ("Dr Lee"), the chairman of the Board of directors of the Company).

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2011	2010
	HK$ million	HK$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and jointly controlled entities (before taxation)	**8,898**	6,990
Interest expense (before interest capitalisation)	**1,605**	1,283
Interest cover (times)	**6**	5

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the balance sheet date for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars, Sterling and Singapore dollars, as well as certain bank borrowings ("USD borrowings") and the fixed coupon rate bond ("Bond") which are denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond and the USD borrowings in the aggregate principal amounts of US$982,500,000 and £50,000,000 at 31 December 2011 (2010: US$972,500,000 and £50,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates ("HKD borrowings") in the aggregate principal amount of HK$13,000,000,000 at 31 December 2011 (2010: HK$7,100,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Material acquisitions and disposals

On 15 September 2011, the Company acquired the issued share capitals and the shareholders' loans of 24 companies from (i) Henderson Development Limited; (ii) Jetwin International Limited and Shau Kee Financial Enterprises Limited, which are controlled by a private trust of the family of Dr Lee; and (iii) Madam Lee Wun Yiu, the sister of Dr Lee. These 24 companies hold various property interests in Hong Kong and the Company paid an aggregate cash consideration of HK$796 million for the acquisition, which was completed on 15 September 2011.

Save as disclosed above, the Group did not undertake any other significant acquisitions or any significant disposals of subsidiaries or assets during the year ended 31 December 2011.

Charge on assets

Assets of the Group were not charged to any third parties at both 31 December 2011 and 31 December 2010.

Capital commitments

At 31 December 2011, capital commitments of the Group amounted to HK$37,401 million (2010: HK$36,032 million). In addition, the Group's attributable share of capital commitments in relation to its jointly controlled entities amounted to HK$832 million (2010: HK$278 million).

Contingent liabilities

At 31 December 2011, the Group's contingent liabilities amounted to HK$45 million (2010: HK$65 million).

Employees and remuneration policy

At 31 December 2011, the Group had approximately 8,000 (2010: 8,000) full-time employees. The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2011 amounted to HK$1,704 million (2010: HK$1,606 million), which comprised (i) staff costs included under directors' remuneration of HK$140 million (2010: HK$149 million); and (ii) staff costs (other than directors' remuneration) of HK$1,564 million (2010: HK$1,457 million).

Five Year Financial Summary

	Note	Year ended 30 June 2007 HK$ million	Year ended 30 June 2008 (restated) HK$ million	18-month period from 1 July 2008 to 31 December 2009 (restated) (note 1) HK$ million	Year ended 31 December 2010 HK$ million	Year ended 31 December 2011 HK$ million
Profit for the year/period	*2&5*	9,818	16,485	15,465	15,820	17,184
Underlying profit for the year/period	*2,3&5*	5,883	5,578	6,027	5,042	5,560
		HK$	HK$	HK$	HK$	HK$
Earnings per share	*2&5*	5.19	8.03	7.20	7.32	7.44
Underlying earnings per share	*2,3&5*	3.11	2.72	2.81	2.33	2.41
Dividends per share	*2*	1.10	1.10	1.30	1.00	1.00

	Note	At 30 June 2007 HK$ million	At 30 June 2008 (restated) HK$ million	At 31 December 2009 (restated) (note 1) HK$ million	At 31 December 2010 HK$ million	At 31 December 2011 HK$ million
Fixed assets	*4*	52,831	60,319	70,296	84,068	92,771
Interest in associates	*5*	20,536	34,884	36,561	37,981	40,117
Interest in jointly controlled entities	*5*	11,168	15,517	18,893	20,947	23,722
Inventories		29,383	37,624	41,541	60,717	68,204
Net debt (restated)	*6*	11,197	21,823	27,710	44,818	36,890
Net asset value	*2&5*	92,219	129,164	142,228	159,038	185,336
Net debt to net asset value (restated)	*2*	12.1%	16.9%	19.5%	28.2%	19.9%
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	*2*	47.47	60.16	66.24	73.09	78.23

Notes:

1 *Pursuant to a resolution of the Board of Directors dated 19 March 2009, the Company's financial year end date has been changed from 30 June to 31 December in order to align with that of its major listed associate, The Hong Kong and China Gas Company Limited, and of project companies established in mainland China.*

2 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

3 *These figures were calculated based on profit attributable to equity shareholders of the Company and adjusted by excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) held by the Group's subsidiaries, associates and jointly controlled entities.*

4 *In order to comply with HK(IFRIC)-Int 12, Service concession arrangements, the Group changed its accounting policy relating to toll bridge under public-to-private service concession arrangement with effect from 1 July 2008. The new accounting policy was applied retrospectively with figures for the financial year ended 30 June 2008 restated. Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so. At 30 June 2008 and 31 December 2009, fixed assets excluded intangible operating rights (which included toll highway operating right) and at 30 June 2007, fixed assets excluded toll highway operating right.*

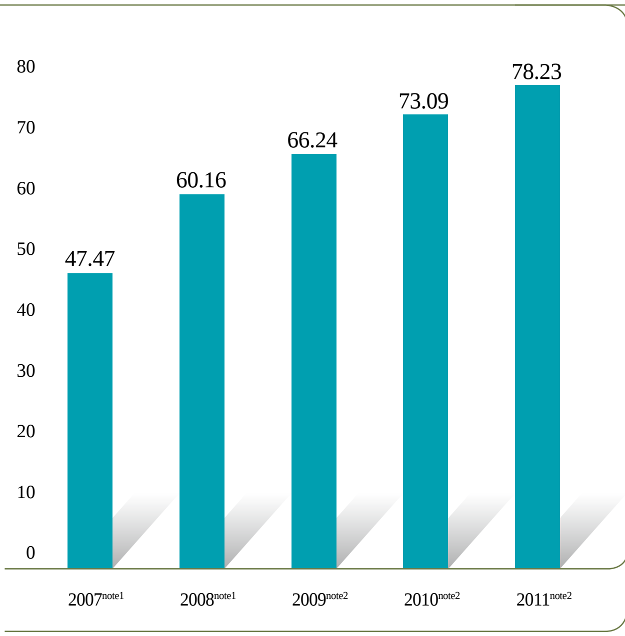
In order to comply with the amendments to HKAS 40, Investment property, the Group has changed its accounting policy to recognise investment property under development at fair value at the earliest reporting date at which fair value could be reliably estimated, rather than waiting until completion of the construction. The policy was applied prospectively as from 1 January 2010 and net assets and profits for earlier periods have not been restated.

The Group has adopted the amendments to HKAS 17, Leases. This new accounting policy was applied retrospectively as a result of which certain leases of land (previously included under "Interests in leasehold land held for own use under operating leases") with carrying amounts of HK$1,006 million at 1 July 2008, HK$976 million at 31 December 2009 and HK$880 million at 31 December 2010 have been reclassified as finance leases and included under "Fixed assets". Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so.

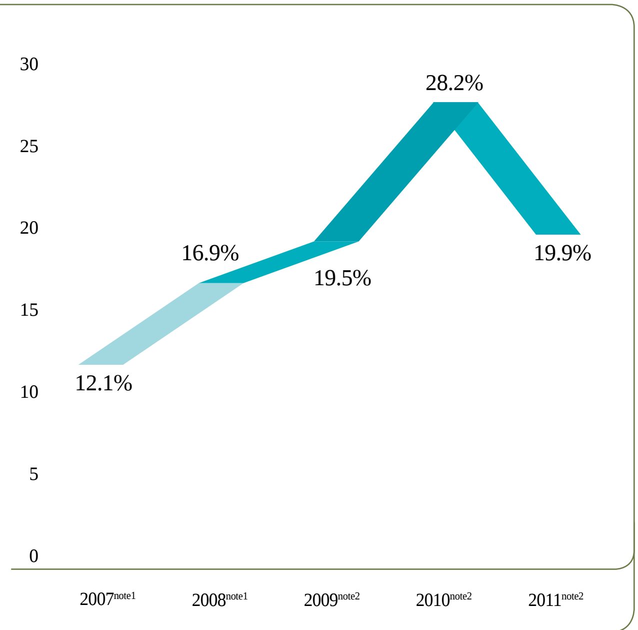
5 *The Group has also early adopted the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The change in policy arising from the amendments to HKAS 12 has been applied retrospectively by restating the opening balances at 1 July 2008 and 1 January 2010, with consequential adjustments to the figures for the 18 months ended 31 December 2009. Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so.*

6 *Net debt represents the total of bank loans and overdrafts, guaranteed notes, guaranteed convertible notes and the amount due to a fellow subsidiary minus cash and cash equivalents.*

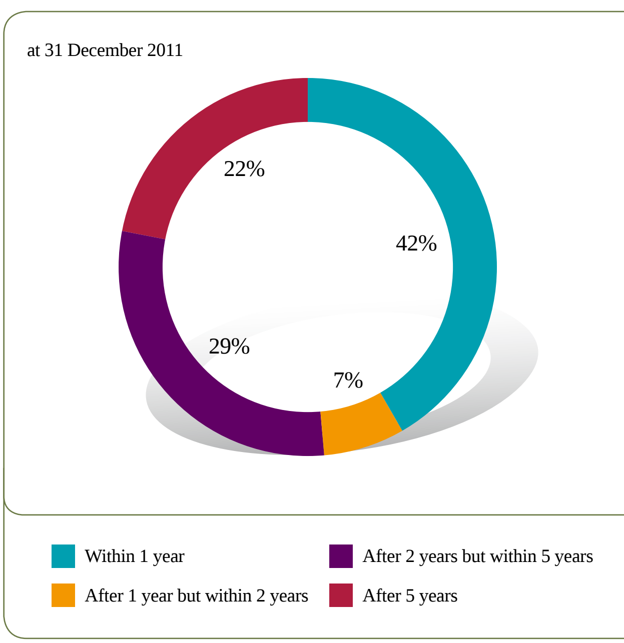
Net asset value per share (HK$)



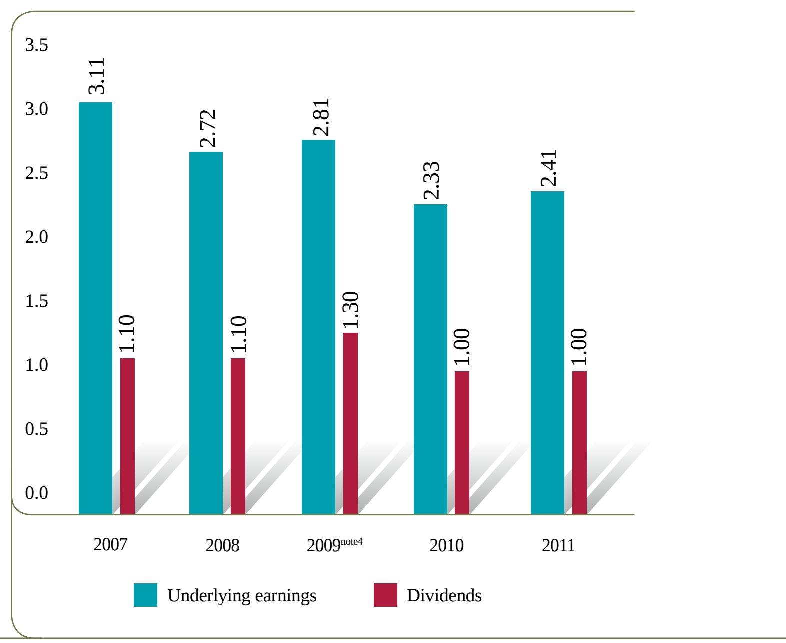
Net debt to net asset value (restated)



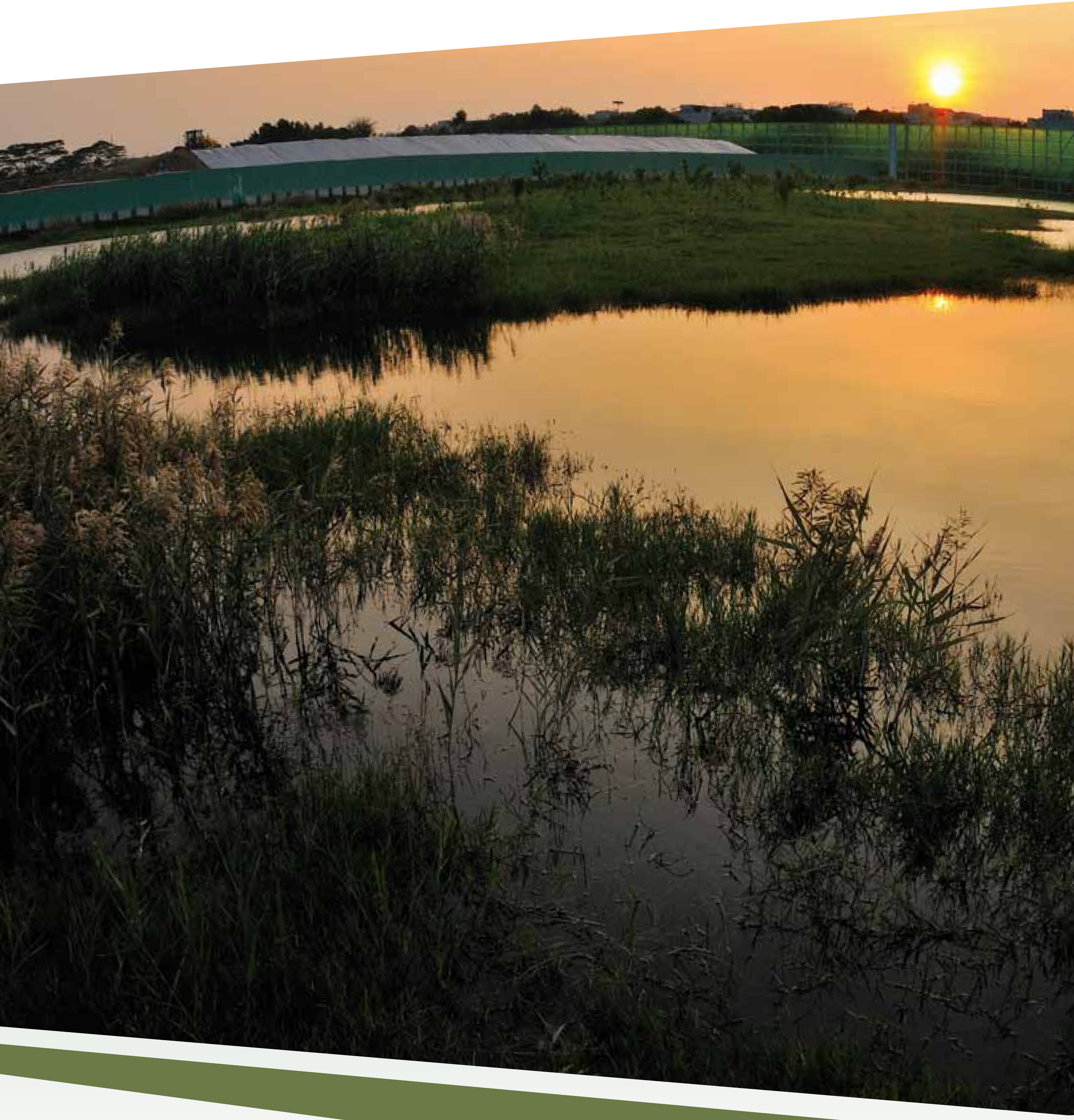
Maturity profile of the Group's bank and other borrowings repayable[note3]



Underlying earnings / dividends per share (HK$)



Notes:
1 At 30 June.
2 At 31 December.
3 Excluding the amount due to a fellow subsidiary.
4 In respect of the eighteen months ended 31 December 2009.



BUILDING
FOR A
SUSTAINABLE ENVIRONMENT

Henderson Land has been successful in designing a pioneering integrated conservation and development project in Hong Kong. The Group's Comprehensive Development at Wo Shang Wai, Yuen Long is a showcase for the adoption of a world-class green approach that aligns nature conservation initiatives with ecologically sensitive development to ensure a harmonious and sustainable outcome. The project integrates a restored wetland, for which the objective is biodiversity enhancement, into an environmentally friendly designed new residential neighbourhood. After extensive restoration works, the wetland has already attracted 65 bird species, of which two are globally threatened. Other highlights include the presence of the nationally protected Water Fern and breeding records of two waterbird species.

Sustainability and CSR

With its important responsibilities as a leading developer, a major employer and prominent corporate citizen, Henderson Land recognizes that its business activities have an impact on the community. The Group strives to reconcile its commercial objectives with the long-term imperatives of sustainable growth, social prosperity and well-being. By pursuing best practices of corporate social responsibility at all levels of its operations, the Group endeavours to maximize the economic, social and environmental benefits it delivers to the community.

Environmental Protection and Operating Practices

Henderson Land is highly proactive in its commitment to environmental stewardship. The Group follows an environmental policy that embodies its key pledges in respect of corporate sustainability development. This policy is advocated openly and transparently to external and internal stakeholders, and is posted on the Group's website and intranet to ensure that its principles are clearly communicated.

Taking an Environmentally Conscientious Approach to Development

The Group embraces a comprehensive approach to property development with the intention of contributing positively to the overall sustainability performance of Hong Kong and mainland China. Henderson Land's multi-disciplinary team of environmentally caring, energy conscious BEAM (Building Environmental Assessment Method) and GBL (China Green Building Label) accredited in-house professionals collaborates closely to promote and deliver exemplary "Green Living/Working" design integration on its projects. This approach ensures the Group accommodates nature conservation imperatives as part of its development process, while also delivering high quality landscaping and optimized energy performance beyond the prerequisite standards for minimizing the environmental impact associated with new developments.

To enhance the quality of living and working of residents and office workers, environmentally beneficial features are incorporated in the Group's new development projects. These features range from North-South orientation, sun shading devices, natural and cross ventilation, solar water heating, to double glazing, low-e glazing, natural lighting, efficient connectivity through covered walkways and footbridges, podium roof gardens and sky gardens. Furthermore, at the development stage, in order to minimize transport-related environmental impact, the use of building materials manufactured locally or within 800km from the Group's development sites is given due priority.

International Benchmarking and Achievements

Henderson Land's commitment to sustainability is proven by its achievements in securing various internationally-respected green awards and certifications. In Hong Kong, the Group has been developing green, BEAM-certified buildings for more than 10 years. The Group's iconic project World Financial Centre ("wfc") in Beijing proudly became the first development to be awarded Platinum rating both in LEED (Leadership in Energy and Environmental Design) by the U.S. Green Building Council and BEAM by BEAM Society, the highest possible grading under these schemes. During the year, Manulife Financial Centre, One International Finance Centre and Two International Finance Centre achieved Platinum BEAM ratings in the Existing Buildings category, whilst The Gloucester and Lok Wo Sha, Ma On Shan (Phase 1) achieved Platinum BEAM ratings (provisional) for New Buildings category and both achieved the highest three-star rating under the GBL (China Green Building Label) accreditation scheme. The Group's newest lifestyle design hotel, Mira Moon on 388 Jaffe Road, also achieved a Gold BEAM rating (provisional).

The Group has been a constituent of the Hang Seng Corporate Sustainability Index for two consecutive years and its proactive stance on sustainability was again recognized during the year. In the Hong Kong Green Awards 2011, Henderson Land Group companies as a whole won more than 30 awards and certificates, becoming the largest winner of the year.

Representatives of the Group and its subsidiary and associated companies attended the Hong Kong Green Awards 2011 ceremony

Project Accreditation

BEAM certified in 2011:

39 Conduit Road (Platinum Rating)

One ifc (Platinum Rating)

Two ifc (Platinum Rating)

Centro, Shanghai (Platinum Rating)

Lok Wo Sha, Ma On Shan (Phase 1) (Provisional Platinum Rating)

The Gloucester (Provisional Platinum Rating)

Mira Moon (Provisional Gold Rating)

LEED certified in 2011:

Centro, Shanghai (Gold Certification)

China Green Building Label (GBL) achieved in 2011 :

Lok Wo Sha, Ma On Shan (Phase 1) (Three-star)

The Gloucester (Three-star)

Professional Credentials

BEAM Pro :

23 staff

China Green Building Label Manager (GBL Manager) :

12 staff

Professional Participation

- Patron of Hong Kong Green Building Council
- Founder Member and Corporate Member of China Green Building (Hong Kong) Council
- Corporate Member of BEAM Society
- Council Member of Business Environment Council
- Council Member of China Green Building Council

Throughout the year, Henderson Land's property management services received 121 environmental awards, accolades and accreditations in recognition of its efforts to promote sustainability.

Innovative Environmental Initiatives

Recognizing the innate relationship between development activities and the environment, Henderson Land takes a highly proactive stance to avoid and minimize undesirable environmental impacts and to promote environmental best practice for long-term benefit.

The Group's comprehensive development at Wo Shang Wai, Yuen Long, which was under development during the year, is a showcase for this pioneering approach, and ensures a harmonious balance between development activities and the restoration of degraded habitats and environmental features. When the Group acquired the land in 2005, it was partly vacant and partly used for open storage and container vehicle parking. In order to restore the previous wetland character of the site, to fully utilize the valuable land resources and to upgrade the surrounding environment to promote quality of living, the Group formulated a first-of-its-kind layout design to include a Wetland Restoration Area and a world class residential community. During the year, the Wetland Restoration Area was completed and fully operational. Extensive planting work was undertaken. All of the cells and marsh areas are now vegetated with plant species that will create habitats for specific target species of birds. As of December 2011, the restored wetland has attracted approximately 65 bird species, of which 45 are of conservation importance and/or wetland-dependence, including the Little Egret, the Cattle Egret and the Chinese Pond Heron, and two are globally threatened species, namely the Black-faced Spoonbill and the Collared Crow. The result was encouraging and site preparation work of the residential community is underway.

Restored wetland at the Group's comprehensive development at Wo Shang Wai, Yuen Long

The design of The Gloucester, Wan Chai is an example of the Group's innovative environmental approach. The property incorporates an environmentally passive green building design that respects its local context, reduces its environmental impact and aims to enhance quality of life over the long term. To promote low carbon lifestyles, the Group places strong emphasis on energy saving, with carbon emission reduction as a core consideration of the entire product life cycle.

The Gloucester's environmental design features include vertical greening (artist's impression)

To ensure a comprehensive Group-wide approach to sustainable practices, an inter-departmental Green Building Sub-Committee has been established with responsibility for developing and maintaining appropriate standards of corporate green building design, construction and property management; encouraging good environmental practice on new property projects and existing properties at different levels; arranging green building related training and knowledge sharing for Group staff; reviewing new developments and existing properties against building sustainability standards in the market, such as BEAM Plus (HK), LEED (U.S.), GBL (mainland China), and supporting external green building related organizations and activities.

Knowledge sharing has also been achieved by the Group's Environmental Research and Development Team under the Project Management Department, which has produced some 22 research reports since its establishment in 1999. The environmental research it carries out ranges from construction methods and materials to the use of information technology. The team has made periodical international site visits to Australia, Japan, Korea, Singapore, mainland China, Europe and USA to learn of construction technology and materials used for green buildings.

Another environmental initiative was the establishment of a private holding nursery at Lam Tsuen, New Territories, which acts as a dedicated source of common, widely-grown plants for the Group's property projects. At present, the nursery holds several hundred trees and shrubs which are readily available for immediate use or replacement. The status of the nursery in terms of species, quantities, sizes and health condition of the plants is monitored regularly by the Planting Sub-Committee.

Group-wide Focus on The Environment

Henderson Land takes proactive measures to introduce and adhere to a sustainable approach at its headquarters, in its properties and on its construction sites. These measures range from conserving resources, reducing energy consumption and improving energy efficiency to using renewable or recyclable materials and disposing of waste in an environmentally responsible manner.

In the Group's commercial and residential properties, objectives and targets are set for continuous improvement under the Integrated Management System (ISO 9001 and ISO 14001). Environmentally friendly features and practices were also introduced at some of the Group's investment properties. For example, during the year, a cooking-oil collection service was introduced at some of the Group's shopping malls and commercial buildings including Sunshine City Plaza, City Landmark I and AIA Tower, to encourage F&B tenants to recycle cooking oil into biodiesel. Income generated from this scheme is donated to World Wide Fund to support its environmental conservation work. In Miramar Shopping Centre under the Group's associated company Miramar Group, two sets of food waste eliminators have been installed, which are the largest of any in Hong Kong's shopping malls. Full-scale operation will take place in early 2012, and it is estimated that a total of 21 tons of food waste can be reduced per month.

As one means to contribute to carbon emission reduction, the Group has installed 22 Electric Vehicle charging facilities in its properties, and is planning to install 112 additional Electric Vehicle chargers in its properties starting 2012.

At all Group construction sites, a specific area is allocated for on-site sorting of used packaging paper, waste metals and chemicals. After sorting, these waste items are passed on to registered contractors for recycling or proper handling. Chemical wastewater treatment plants have also been installed at Group construction sites. A Waste Metal Reduction Award Scheme provides a monetary incentive for sub-contractors to reduce the use of metal during construction of property projects.

Efficient paperless communication has been achieved in many aspects of Henderson Land's operations. One example is the Group's self-developed web-based collaboration system named "iCPM" which was set up for electronic communication between the Group and its suppliers and consultants. To-date, the system has been used for more than 100 development projects.

The Group's planting nursery in Lam Tsuen

The Group also supports various community activities organized by non-government organizations to help promote public awareness of environmental protection. During the year these included "Earth Hour 2011" and "Walk for Nature@ Mai Po" organized by World Wide Fund, "Power Smart 2011" organized by Friends of Earth, "Green Power Hike" organized by Green Power, and "Hong Kong No Air-con Night" organized by Green Sense. In addition to sponsorship, the Group's staff also participated in some of these activities.

Another example of the Group's commitment to environmental stewardship is its pioneering Organic Farming programme. To promote environmental awareness among the Group's staff, in 2011 the Group designated a farmland in Yuen Long for staff members and their families to enjoy organic farming. The activity not only offers an opportunity for Henderson Land staff to learn organic farming, but also inspires them to better appreciate nature.

Operating Practices

The Group prides itself on providing a dedicated and efficient interface with customers. A handover implementation unit is responsible for ensuring that completed apartments are up-to-standard when they are transferred to new owners. Similarly, the Customer Services Section is responsible for customer relations and after-sales services.

The Group's customer relationship management activities are managed by Henderson Club, which strives to enhance communication and understanding between the Group and its clients. During the year, Henderson Club acquired about 40,000 members through the application of BOC Henderson Club Platinum Visa Card scheme which offers its cardholders a wide variety of privileges.

The Group's Organic Farming programme encourages staff to appreciate nature better

The Group's property management services have produced an Integrated Management System (IMS) Policy Statement which defines its intention, direction and commitment to quality and provides a framework for establishing and reviewing quality, handling complaints, and fulfilling environmental and safety objectives.

Workplace Quality

Henderson Land has approximately 8,000 full-time employees in Hong Kong and mainland China. As a major employer, the Group is committed to non-discriminatory equal opportunity employment practices in respect of all employees and site staff, and to providing them with a safe and healthy working environment in compliance with contractual and legal requirements.

Employee Learning and Development

With a focus on staff learning and development, employee engagement and communication, the Group conducts a Training Needs Analysis annually in order to determine areas for vocational improvement. The analysis is used to develop the Group's annual employee training plan from which a broad scope of internal training programmes and seminars, both general and specific, is organized in order to improve the professional knowledge and skills of staff. During the year, the Group organized a wide range of internal training programmes and seminars, including staff orientation, presentation skills, computer skills, Putonghua conversation, China business, healthy diet, and Enneagram workshops.

The Group organizes a variety of training programmes and seminars for its employees every year

Each of the Group's departments carries out its own training and development programmes tailored to its particular needs, ranging from Continuing Professional Development events for Property Management Department to seminars and courses given by professional accounting bodies and accounting firms for Accounts Department. To supplement these internal courses, the Group also provides its staff with educational subsidies to encourage and support them to enrol in external courses.

2011 Internal Training (Headquarters)

- No. of programmes: 52
- No. of participants: 1,221
- Training days: 280

Focus on Safety

As a leading developer, safety is a paramount concern for Henderson Land. The Group implements its safety management system with an Occupational Health and Safety policy based on the relevant safety legislation and regulations. On the 10 active construction sites during the year, 2,060 safety induction and specific safety training sessions, and 1,050 tool-box talks were delivered.

To ensure that all safety requirements are fully conformed to, the Group has setup a Site Safety Subgroup (SSS) to formulate policies on site safety and monitor the Group's construction safety performance. The SSS, comprising professional architects, engineers, surveyors and safety officers, meets fortnightly and organizes weekly site safety inspections at the Group's sites. They are responsible for finding the root cause of work accidents and making recommendations regarding the long term improvement of site safety. Observation and recommendation will be made directly on site. Safety Reports are produced regularly and provided to the Construction Department and the registered general building contractors. This information is supplemented by monthly meetings to discuss safety issues and prepare action plans. Furthermore, the Construction Division's Occupational Health & Safety Committee holds quarterly meetings to report on safety initiatives and performance to the senior management.

Community Involvement

Henderson Land initiates, sponsors and supports a diverse range of meaningful community-oriented activities in partnership with its employees, community bodies, society and government. During the year, the Group again made significant contributions to many causes and extended its help and support to the underprivileged and the needy.

Support to The Disadvantaged

For the purpose of delivering the support of the Group, its subsidiaries and associates to deserving causes, Henderson Land has established "Henderson Warmth Foundation", a charitable fund which serves as a platform to provide charity and assistance in relieving poverty and suffering in Hong Kong and mainland China.

During the year the Group organized many activities targeting poverty relief. One significant initiative was the Warmth Giving Project, co-organized by the Group with Oriental Daily News Charitable Fund and The Sun Charitable Fund, which provided winter sustenance packs to about 12,000 elderly and low-income families. Mr Lee Ka Shing, Vice Chairman of Henderson Land Group, led the Group's volunteer team in conducting home visits to present the gifts and convey compassionate messages to recipients.

The Group also partnered with The Sun Charitable Fund to organize the Book Giving Project 2011 which provided about 250 secondary school students from financially disadvantaged families with full sets of new textbooks for the coming school year. Henderson Land continued to identify other deserving causes and provided direct donations to the underprivileged and to families that have suffered due to tragic incidents. During the year, through Henderson Warmth Foundation, the Group donated a total amount of over HK$1 million, supporting over 40 families/projects.

Mr Lee Ka Shing, the Group's Vice Chairman (second left), conducted home visits with a volunteer team as part of the "Warmth Giving" programme

The Group's Vice Chairman Mr Lee Ka Kit (second right, front row), presented awards to medal winners at the Henderson Land Cup 2011 National Individual Championships of Artistic Gymnastics

In another major initiative, the Group pledged a donation of HK$10 million to Hua Xia Foundation to support healthcare education. The donation will fund the construction of new schools, training programmes for local healthcare practitioners and provide scholarships for financially disadvantaged university students in mainland China over the next three years.

As a responsible corporate citizen, Henderson Land endeavours to provide barrier-free access to the public at its properties. Metro City Phase II ranked First in a 2011 survey on barrier-free access and facilities in Hong Kong shopping centres, which was jointly conducted by the Centre for Social Policy Studies of The Hong Kong Polytechnic University, Hong Kong Federation of The Blind and other charitable organizations for the disabled.

Youth Development

Henderson Land is an enthusiastic supporter of initiatives that nurture and encourage young people.

The Group's dedicated support for community-wide events in Hong Kong was extended to gymnastics in 2011, with Henderson Land becoming the title sponsor of Henderson Land Cup 2011 National Individual Championships of Artistic Gymnastics, aiming to help promote athleticism and sportsmanship among the young generation. This was the first time ever this national event had been held in Hong Kong.

The Group also sponsored MaD Good Lab 2011 with the aim of nurturing a new generation of creative and innovative leaders for a sustainable world. Organized by the Hong Kong Institute of Contemporary Culture, the programme benefited 10,000 Asian youngsters aged from 16 to 30.

Since 2006, Henderson Land has been an active supporter of Summerbridge Hong Kong, a non-profit tuition-free, summer and after-school enrichment programme that helps financially disadvantaged young students strengthen their English and leadership skills, build their self-confidence and view learning as a life-long progress.

Arts and Culture

Henderson Land has always been a strong supporter of community arts and culture events which can benefit, educate and stimulate a broad cross-section of the community.

During the year, the Group sponsored the 19th Le French May Festival as Grand Mecene (Patron). The Festival is a major annual territory-wide arts event, organized by the Consulate General of France in Hong Kong and Macau. The Group's involvement in other arts and cultural activities included sponsorship of Hong Kong Well-Wishing Festival, Sheung Wan Promenade and Tsuen Wan Festival Lightings.

"MaD Good Lab 2011" inspires young people, and encourages them to "make a difference" in the world

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2011.

A) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

B) Corporate Governance Practices

During the year ended 31 December 2011, the Company applied all those principles as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and complied with the relevant code provisions in the Code, with the exception of one deviation as set out under the paragraphs on "Board of Directors" below. The application of the relevant principles is stated in the following paragraphs.

The Company is a founding constituent member of the Hang Seng Corporate Sustainability Index Series launched in July 2010.

The Hong Kong Stock Exchange has recently amended the Listing Rules (the "Revised Listing Rules") and the Code (the "Revised Code") with various implementation dates. In such respect, the Company has taken measures to comply with the Revised Listing Rules and Revised Code.

C) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal or grant of options in respect of unissued new shares or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, staff qualifications, experience, training programmes and budget of staff of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management team as to their powers of management, and circumstances in which the management team should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organizations and other significant commitment, with the identity of such listed companies or organizations. The Company has also requested Directors to provide in timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of rule amendment updates in respect of corporate governance practices so as to keep them abreast of latest rule requirements and assist them in fulfilling their responsibilities. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

b) Corporate Governance Function

The Board has undertaken the corporate governance function as required under the Revised Code. The terms of reference of the corporate governance as set out in the Revised Code have been approved by the Board for adoption. The terms of reference of Corporate Governance Function are available on the Company's website.

c) Board Composition

The Board currently comprises twenty members, as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Lee Shau Kee *(Chairman and Managing Director)*	Au Siu Kee, Alexander	Kwong Che Keung, Gordon
Lee Ka Kit *(Vice Chairman)*	Leung Hay Man	Ko Ping Keung
Lam Ko Yin, Colin *(Vice Chairman)*	Lee Pui Ling, Angelina	Wu King Cheong
Lee Ka Shing *(Vice Chairman)*	Lee Tat Man	Woo Ka Biu, Jackson *(appointed on 1 March 2012)*
Yip Ying Chee, John		
Suen Kwok Lam		
Lee King Yue		
Fung Lee Woon King		
Lau Yum Chuen, Eddie		
Li Ning		
Kwok Ping Ho, Patrick		
Wong Ho Ming, Augustine		

The biographical details of the Directors are set out on pages 138 to 142 of this Annual Report. In particular, Dr Lee Shau Kee is the father of Lee Ka Kit and Lee Ka Shing, father-in-law of Li Ning, and the brother of Lee Tat Man and Fung Lee Woon King.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term for three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. As a result of the Revised Listing Rules, the Company has taken action in considering the appointment of additional independent non-executive directors to meet the requirement of at least one-third of members of the Board being independent non-executive directors before 31 December 2012 under Rule 3.10(A) of the Revised Listing Rules.

The appointment of Independent Non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received confirmation in writing of their independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board. Arrangement will be made by the Company to have speakers delivering speeches and presentations to Directors of the Company at certain meetings or luncheon meetings on relevant topics with emphasis on the roles, functions and duties of directors of the Company.

The roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

d) Appointment and Re-election of Directors

The Board is empowered under Articles to appoint any person as a Director to fill a casual vacancy on or as an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors, including those appointed for a specific term, will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years.

During the year ended 31 December 2011, the Board considered and approved the re-designation of Mr Au Siu Kee, Alexander from Executive Director to Non-executive Director of the Company with effect from 1 July 2011. Subsequent to the year end, Sir Po-shing Woo resigned as Non-executive Director of the Company on 29 February 2012 and Mr Woo Ka Biu, Jackson's alternate directorship ceased on the same date when Sir Po-shing Woo resigned from the Board. Mr Woo Ka Biu, Jackson was appointed as an Independent Non-executive Director of the Company with effect from 1 March 2012. In March 2012, the Nomination Committee assessed the independence of Mr Woo Ka Biu, Jackson, as Independent Non-executive Director of the Company and made recommendation to the Board.

e) Board Meetings

i) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2011, the Board held five meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 117.

ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and open for Directors' inspection.

f) Conflict of Interest

If a director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

D) Board Committees

The Board has four main Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board. To comply with the Revised Code, revised terms of reference of the Audit Committee and the Remuneration Committee have been approved and adopted. In December 2011, the Nomination Committee was set up with the terms of reference as set out in the Revised Code.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors	**Non-executive Director**
Kwong Che Keung, Gordon *(Chairman)*	Leung Hay Man
Ko Ping Keung	
Wu King Cheong	

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. In regard to the financial reporting process, the Audit Committee would consider any significant items reflected in the reports and accounts, and any matters that have been raised by the Company's General Manager of the Accounts Department. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2011. The major work performed by the Audit Committee in respect of the year ended 31 December 2011 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2011, reviewing the audited accounts and final results announcement for the year ended 31 December 2010, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management, corporate governance and cost control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget. Additionally, the Independent Non-executive Directors of the Company conducted reviews of the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	**Independent Non-executive Directors**
Lee Shau Kee	Wu King Cheong *(Chairman)*
Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the specific duties of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2011, the Remuneration Committee held two meetings to review the salary structure of the employees of the Company as well as the remuneration of senior management staff. The Committee also reviews the remuneration of the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the accounts on pages 187 and 188. The Directors' fee is fixed at the rate of HK$50,000 per annum for each Director and in case of each member of the Audit Committee an additional remuneration at the rate of HK$250,000 per annum and each Independent Non-executive Director acting as a member of Remuneration Committee an additional remuneration at the rate of HK$50,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	**Independent Non-executive Directors**
Lee Shau Kee *(Chairman, in his absence, Mr Kwong Che Keung, Gordon)*	Kwong Che Keung, Gordon
Lam Ko Yin, Colin	Ko Ping Keung
	Wu King Cheong

Each member is sufficiently experienced and is appropriately skilled in the issues of the nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing of the structure, size, composition of the Board and to make recommendation on any proposed changes to the Board to complement the Company's corporate policy. The terms of reference of the Nomination Committee are available on the Company's website.

In March 2012, the Nomination Committee assessed the independence of Mr Woo Ka Biu, Jackson, as Independent Non-executive Director of the Company and made recommendation to the Board.

d) Attendance Record at Board, Audit and Remuneration Committees' Meetings and Annual General Meeting

The attendance of the individual Director at the meetings of the Board, the Audit Committee and the Remuneration Committee and Annual General Meeting during the year ended 31 December 2011 is set out in the following table:

	No. of meetings attended/No. of meetings held			
	Board	**Audit Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors:				
Lee Shau Kee *(Chairman)*	[1]4/5	N/A	2/2	1/1
Lee Ka Kit	[1]4/5	N/A	N/A	1/1
Lam Ko Yin, Colin	5/5	N/A	2/2	1/1
Lee Ka Shing	[1]4/5	N/A	N/A	1/1
Yip Ying Chee, John	5/5	N/A	N/A	1/1
Suen Kwok Lam	5/5	N/A	N/A	1/1
Lee King Yue	5/5	N/A	N/A	1/1
Fung Lee Woon King	[1]4/5	N/A	N/A	1/1
Lau Yum Chuen, Eddie	5/5	N/A	N/A	1/1
Li Ning	[1]3/5	N/A	N/A	1/1
Kwok Ping Ho, Patrick	5/5	N/A	N/A	1/1
Wong Ho Ming, Augustine	5/5	N/A	N/A	1/1
Non-executive Directors:				
Woo Po Shing	[2]3/5	N/A	N/A	0/1
Au Siu Kee, Alexander	[3]5/5	N/A	N/A	1/1
Leung Hay Man	5/5	3/3	N/A	1/1
Lee Pui Ling, Angelina	3/5	N/A	N/A	0/1
Lee Tat Man	[1]4/5	N/A	N/A	1/1
Independent Non-executive Directors:				
Kwong Che Keung, Gordon	5/5	3/3	2/2	1/1
Ko Ping Keung	5/5	3/3	2/2	1/1
Wu King Cheong	5/5	3/3	2/2	1/1

Remarks:

1. *Out of the five meetings of the Board, one Board meeting was to consider the connected transactions with the companies controlled by private trusts of the family of Dr Lee Shau Kee. Absence of Dr Lee Shau Kee, Mr Lee Ka Kit, Mr Lee Ka Shing, Madam Fung Lee Woon King, Mr Li Ning and Mr Lee Tat Man in such meeting was due to his/her deemed interests in the transactions discussed at the meeting.*

2. *Three Board meetings were attended by his alternate, Mr Woo Ka Biu, Jackson.*

3. *Mr Au Siu Kee, Alexander was re-designated from Executive Director to Non-executive Director on 1 July 2011.*

Since the Nomination Committee was newly formed, no meeting was held during 2011.

E) Directors' responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on page 146.

F) Auditor's Remuneration

For the year ended 31 December 2011, the Auditor(s) of the Company and its subsidiaries received approximately HK$18.4 million for audit and audit related services (2010: HK$17.1 million) as well as HK$1.5 million for non-audit services (2010: HK$2.9 million). The significant non-audit services covered by these fees included the following:

Nature of service	Fees paid (HK$ million)
Tax services	0.6
Other services	0.9
	1.5

G) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

H) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' investment and the Company's assets.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. During the year ended 31 December 2011, the Board has reviewed through the Audit Committee the effectiveness of the Group's internal control systems, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function in order to ensure that they meet with the dynamic and ever changing business environment, and is satisfied that such systems are effective and adequate.

I) Company Secretary

The company secretary is to support the Board by ensuring good information flow with the Board as well as the board policy and procedures being followed. The company secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates the induction and professional development of Directors.

Under the Revised Listing Rules, the company secretary is required to take no less than 15 hours of relevant professional training each financial year.

J) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings ("AGM") of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the annual shareholders' meetings. Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders in the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Hong Kong Stock Exchange and the Company on the business day following the shareholders' meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

The chairmen of Audit Committee, Remuneration Committee and Nomination Committee are invited to attend the AGM. Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Under the Hong Kong Companies Ordinance, shareholders holding not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company are entitled to send a request to the Company to convene an extraordinary general meeting. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the registered office of the Company.

The Company has also maintained a shareholders' communication policy to handle enquires put to the Board and contact details have been provided so as to enable such enquires be properly directed.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at http://www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 31 December 2011.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, construction, infrastructure, hotel operation, finance, department store operation, project management, investment holding and property management.

An analysis of the Group's turnover and contribution from operations by business segments and geographical segments, is set out in note 16 to the accounts on pages 198 to 201.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2011 are set out on pages 234 to 239.

Group Profit

The profit of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 147 to 241.

Dividends

An interim dividend of HK$0.30 per share was paid on 20 October 2011. The Directors have recommended the payment of a final dividend of HK$0.70 per share to shareholders whose names appear on the Register of Members of the Company on Monday, 18 June 2012, and such final dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank pari passu in all other respects with the existing shares.

The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to Shareholders on or about Thursday, 21 June 2012.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent to Shareholders on Thursday, 19 July 2012.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$60,800,000 (2010: HK$12,100,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 17 to the accounts on pages 202 to 206.

Bank Loans and Overdrafts, Guaranteed Notes and Medium Term Note Programme

Particulars of bank loans and overdrafts, Guaranteed Notes and Medium Term Note Programme of the Company and the Group as at 31 December 2011 are set out in notes 30 and 31 to the accounts on pages 218 to 220, respectively.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2011 is set out in note 8 to the accounts on page 185.

Reserves

Particulars of the movements in reserves during the year ended 31 December 2011 are set out in note 33 to the accounts on pages 221 to 225.

Share Capital

During the year, the Company issued 19,795,415 shares in lieu of the 2010 final cash dividends at a market value of HK$51.99 per share, 249,670 shares in lieu of the 2011 interim cash dividends at a market value of HK$41.80 per share and 172,870,014 shares upon the exercise by the holders of the bonus warrants at a subscription price of HK$58 per share. All bonus warrants remaining unexercised lapsed after the close of business on 1 June 2011.

Details of the Company's share capital are set out in note 33 to the accounts on pages 221 to 223.

Group Financial Summary

The results, assets and liabilities of the Group for the last two years ended 30 June 2008, the 18-month period ended 31 December 2009 and for the last two years ended 31 December 2011 are summarised on page 102.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 44 to 57 and on pages 62 to 79.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 9 to the accounts on pages 187 and 188.

Directors

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

Executive Directors

Dr the Hon. Lee Shau Kee
(Chairman and Managing Director)
Lee Ka Kit
(Vice Chairman)
Lam Ko Yin, Colin
(Vice Chairman)
Lee Ka Shing
(Vice Chairman)
Yip Ying Chee, John
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Lau Yum Chuen, Eddie
Li Ning
Kwok Ping Ho, Patrick
Wong Ho Ming, Augustine

Non-executive Directors

Sir Po-shing Woo
(resigned on 29 February 2012)
Au Siu Kee, Alexander
(re-designated from Executive Director to Non-executive Director on 1 July 2011)
Leung Hay Man
Lee Pui Ling, Angelina
Lee Tat Man
Woo Ka Biu, Jackson
(ceased to be an alternate to Sir Po-shing Woo who resigned on 29 February 2012)

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
(appointed on 1 March 2012)

Mr Au Siu Kee, Alexander was re-designated from Executive Director to Non-executive Director on 1 July 2011. In addition, Sir Po-shing Woo resigned as Non-executive Director of the Company on 29 February 2012 and Mr Woo Ka Biu, Jackson's alternate directorship ceased on the same date when Sir Po-shing Woo resigned from the Board.

Mr Woo Ka Biu, Jackson, being the new Director appointed after the 2011 annual general meeting, will retire in accordance with Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Dr Lee Shau Kee, Mr Lam Ko Yin, Colin, Mr Yip Ying Chee, John, Madam Fung Lee Woon King, Mr Lau Yum Chuen, Eddie, Mr Au Siu, Kee, Alexander and Mr Leung Hay Man will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Code on Corporate Governance Practices and, being eligible, offer themselves for re-election.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2011, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(A) Ordinary Shares (unless otherwise specified)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	7,521,743		1,451,589,606		1,459,111,349	61.59
	Lee Ka Kit	1				1,450,649,395	1,450,649,395	61.24
	Lee Ka Shing	1				1,450,649,395	1,450,649,395	61.24
	Li Ning	1		1,450,649,395			1,450,649,395	61.24
	Au Siu Kee, Alexander	2				60,000	60,000	0.00
	Lee Tat Man	3	113,048				113,048	0.00
	Lee Pui Ling, Angelina	4	31,041				31,041	0.00
	Lee King Yue	5	257,208		20,188		277,396	0.01
	Fung Lee Woon King	6	1,206,073				1,206,073	0.05
	Woo Ka Biu, Jackson	7		2,000			2,000	0.00
Henderson Investment Limited	Lee Shau Kee	8	34,779,936		2,080,495,007		2,115,274,943	69.41
	Lee Ka Kit	8				2,076,089,007	2,076,089,007	68.13
	Lee Ka Shing	8				2,076,089,007	2,076,089,007	68.13
	Li Ning	8		2,076,089,007			2,076,089,007	68.13
	Lee Tat Man	9	6,666				6,666	0.00
	Lee King Yue	10	1,001,739				1,001,739	0.03
The Hong Kong and China Gas Company Limited	Lee Shau Kee	11	4,723,440		3,274,026,997		3,278,750,437	41.50
	Lee Ka Kit	11				3,274,026,997	3,274,026,997	41.44
	Lee Ka Shing	11				3,274,026,997	3,274,026,997	41.44
	Li Ning	11		3,274,026,997			3,274,026,997	41.44
	Au Siu Kee, Alexander	12		73,205			73,205	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	13	7,799,220		111,732,090		119,531,310	33.55
	Lee Ka Kit	13				111,732,090	111,732,090	31.36
	Lee Ka Shing	13				111,732,090	111,732,090	31.36
	Li Ning	13		111,732,090			111,732,090	31.36
	Lam Ko Yin, Colin	14	150,000				150,000	0.04
	Fung Lee Woon King	15	465,100				465,100	0.13
	Leung Hay Man	16	2,250				2,250	0.00
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	17			255,188,250		255,188,250	44.21
	Lee Ka Kit	17				255,188,250	255,188,250	44.21
	Lee Ka Shing	17				255,188,250	255,188,250	44.21
	Li Ning	17		255,188,250			255,188,250	44.21
	Woo Po Shing*	18	2,705,000		2,455,000		5,160,000	0.89
Towngas China Company Limited	Lee Shau Kee	19			1,628,172,901		1,628,172,901	66.18
	Lee Ka Kit	19				1,628,172,901	1,628,172,901	66.18
	Lee Ka Shing	19				1,628,172,901	1,628,172,901	66.18
	Li Ning	19		1,628,172,901			1,628,172,901	66.18

(A) Ordinary Shares (unless otherwise specified) (continued)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	20			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	21			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	22	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	20				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	21				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	22				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	20				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	21				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	22				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	20		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	21		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	22		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00
Best Homes Limited	Lee Shau Kee	23			26,000		26,000	100.00
	Lee Ka Kit	23				26,000	26,000	100.00
	Lee Ka Shing	23				26,000	26,000	100.00
	Li Ning	23		26,000			26,000	100.00
Drinkwater Investment Limited	Leung Hay Man	24			5,000		5,000	4.49
	Woo Po Shing*	25			3,250		3,250	2.92

** Sir Po-shing Woo resigned as Non-executive Director of the Company on 29 February 2012.*

(A) Ordinary Shares (unless otherwise specified) (continued)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Feswin Investment Limited	Lee Ka Kit	26			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	27	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	28			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	29			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	28				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	29				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	28				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	29				1 (B Share)	1 (B Share)	100.00
	Li Ning	28		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	29		1 (B Share)			1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	30	50				50	5.00
Henfield Properties Limited[Δ]	Lee Ka Kit	31			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Shau Kee	32			100		100	100.00
	Lee Ka Kit	32				100	100	100.00
	Lee Ka Shing	32				100	100	100.00
	Li Ning	32		100			100	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	33			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	34			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	33				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	34				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	33				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	34				1 (B Share)	1 (B Share)	100.00
	Li Ning	33		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	34		1 (B Share)			1 (B Share)	100.00
Pettystar Investment Limited	Lee Shau Kee	35			3,240		3,240	80.00
	Lee Ka Kit	35				3,240	3,240	80.00
	Lee Ka Shing	35				3,240	3,240	80.00
	Li Ning	35		3,240			3,240	80.00

[Δ] *in members' voluntary winding up*

(B) Debentures

Issuer and type of debentures	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
HKCG (Finance) Limited – 6.25% Guaranteed Notes due 2018	Au Siu Kee, Alexander	36				US$500,000	US$500,000
Henson Finance Limited – 5.50% Guaranteed Notes due 2019	Au Siu Kee, Alexander	37				US$500,000	US$500,000

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

On 2 June 2010, the Company issued to its shareholders a total of 429,348,478 units of bonus warrants for the subscription of its shares at a subscription price of HK$58 per share on or before 1 June 2011 (on the basis of one warrant for every five shares held). Certain Directors of the Company were taken to be interested in the bonus warrants of the Company (as per details described in the Company's 2010 annual report and 2011 interim report) during the year under review. All bonus warrants remaining unexercised lapsed after the close of business on 1 June 2011.

Save as disclosed above, at no time during the year ended 31 December 2011 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement 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.

Substantial Shareholders' and Others' Interests

As at 31 December 2011, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	1,450,649,395	61.24
Riddick (Cayman) Limited (Note 1)	1,450,649,395	61.24
Hopkins (Cayman) Limited (Note 1)	1,450,649,395	61.24
Henderson Development Limited (Note 1)	1,449,235,835	61.18
Yamina Investment Limited (Note 1)	744,656,446	31.43
Believegood Limited (Note 1)	366,175,416	15.46
South Base Limited (Note 1)	366,175,416	15.46
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	179,543,353	7.58

Notes:

1. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 7,521,743 shares, and for the remaining 1,451,589,606 shares, (i) 698,976,789 shares were owned by Henderson Development Limited ("HD"); (ii) 179,543,353 shares were owned by Cameron Enterprise Inc.; 366,175,416 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 73,964,970 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 68,060,406 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 56,912,301 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iii) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 39.88% held by Henderson Land Development Company Limited ("HL") which in turn was 61.18% held by HD; (iv) 1,413,560 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (v) 640,180 shares and 300,031 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 13. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

2. *These shares were owned by Mr Au Siu Kee, Alexander and his wife jointly.*

3. *Mr Lee Tat Man was the beneficial owner of these shares.*

4. *Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.*

5. *Of these shares, Mr Lee King Yue was the beneficial owner of 257,208 shares, and the remaining 20,188 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr Lee King Yue and his wife.*

6. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

7. *These shares were owned by the wife of Mr Woo Ka Biu, Jackson.*

8. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 2,080,495,007 shares, (i) 802,854,200 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; (ii) 5,615,148 shares were owned by Fu Sang; and (iii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both of which were wholly-owned subsidiaries of HKF in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 13. Dr Lee Shau Kee was taken to be interested in HL and Fu Sang as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

9. *Mr Lee Tat Man was the beneficial owner of these shares.*

10. *Mr Lee King Yue was the beneficial owner of these shares.*

11. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 4,723,440 shares, and for the remaining 3,274,026,997 shares, (i) 1,696,927,906 shares and 708,953,821 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 744,507,546 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL; (ii) 5,807,310 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iii) 117,830,414 shares were owned by Fu Sang. Dr Lee Shau Kee was taken to be interested in HL, HD and Fu Sang as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

12. *These shares were owned by the wife of Mr Au Siu Kee, Alexander.*

13. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 7,799,220 shares, and for the remaining 111,732,090 shares, (i) 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL; and (ii) 41,532,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited; Max-mercan Investment Limited was wholly-owned by Camay Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

14. *Mr Lam Ko Yin, Colin was the beneficial owner of these shares.*

15. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

16. *Mr Leung Hay Man was the beneficial owner of these shares.*

17. *Of these shares, 100,612,750 shares, 79,121,500 shares and 75,454,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

18. *Of these shares, Sir Po-shing Woo was the beneficial owner of 2,705,000 shares, and the remaining 2,455,000 shares were held by Fong Fun Company Limited which was 50% owned by Sir Po-shing Woo.*

19. *These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 11 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

20. *These shares were held by Hopkins as trustee of the Unit Trust.*

21. *These shares were held by Hopkins as trustee of the Unit Trust.*

22. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

23. *Of these shares, (i) 10,400 shares were owned by HL; (ii) 2,600 shares were owned by HD; and (iii) 13,000 shares were owned by Manifest Investments Limited which was 74.16% held by Wealth Sand Limited which in turn was 70% held by Firban Limited. Firban Limited was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Firban Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr Li Ning was taken to be interested in such shares by virtue of the SFO.*

24. *These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr Leung Hay Man.*

25. *These shares were held by Coningham Investment Inc. which was wholly-owned by Fong Fun Investment Inc. of which 50% was owned by Sir Po-shing Woo and 50% by his wife.*

26. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Mr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited ("HC"), an indirect wholly-owned subsidiary of HL.*

27. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

28. *These shares were owned by Jetwin International Limited.*

29. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

30. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

31. *Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by HC.*

32. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited.*

33. *These shares were owned by Jetwin International Limited.*

34. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

35. *Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Allied Best Investment Limited.*

36. *HKCG (Finance) Limited was a wholly-owned subsidiary of China Gas. These debentures were owned by Mr Au Siu Kee, Alexander and his wife jointly.*

37. *Henson Finance Limited was a wholly-owned subsidiary of HL. These debentures were owned by Mr Au Siu Kee, Alexander and his wife jointly.*

Interests in Contracts and Continuing Connected Transactions

During the year under review, the Group entered into the following transactions and arrangements as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

(1) (i) Henderson Finance Company Limited made advances from time to time to Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 31 December 2011, the amounts of approximately HK$8,432 million, HK$26 million and HK$125 million were due by Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the accounts under "Amount due to a fellow subsidiary".

(ii) Agreements for the management and construction of the properties of certain owner companies (the "Owner Companies") indirectly controlled by the private trust of the family of Dr Lee Shau Kee entered into by the Owner Companies (including the Henderson Development Limited group) with each of Henderson Real Estate Agency Limited and the subsidiaries of E Man Construction Company Limited, two wholly-owned subsidiaries of the Company, still subsisted at the year end date.

Dr Lee Shau Kee, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's ultimate holding company, Henderson Development Limited.

(2) As at 31 December 2011, Mr Lee Ka Kit, through companies owned or controlled by him, had interests in two companies in which Henderson China Holdings Limited ("Henderson China") was interested and through which Henderson China held interests in projects. Mr Lee had 50 per cent interest in Feswin Investment Limited holding Lot 470 of Wanping Road South and 40 per cent interest in Henfield Properties Limited (such company is in members' voluntary winding up), with the remaining interests owned by members of the Henderson China Group. Mr Lee Ka Kit is a Director of the Company.

Mr Lee Ka Kit agreed to provide and had provided finance in the form of advances to these companies in proportion to his equity interests in these companies. An agreement entered into between Henderson China and Mr Lee Ka Kit on 15 March 1996 provided that all existing and future advances made by Henderson China and Mr Lee Ka Kit to these companies would be unsecured, on the same basis and at the same interest rate or without interest. As at 31 December 2011, such advances made by Mr Lee Ka Kit to the Henderson China Group's associate amounted to approximately HK$102 million and from 1 January 2003 to 31 December 2011, no interest on the advances made by Mr Lee Ka Kit was charged.

(3) During the year ended 31 December 2011, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

Crown Truth Limited
Drinkwater Investment Limited
Feswin Investment Limited
Gain Base Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Henfield Properties Limited[Δ]
Lane Success Development Limited
Pettystar Investment Limited

Δ *in members' voluntary winding up*

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances made by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest.

(4) The Company had the following continuing connected transactions/connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(i) As disclosed in the announcement dated 15 June 2009, Sunlight Real Estate Investment Trust ("Sunlight REIT") might be deemed by the Hong Kong Stock Exchange as a connected person of the Company under the Listing Rules as a result of the aggregate percentage unitholdings in Sunlight REIT of the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr Lee Shau Kee, the Chairman and Managing Director of the Company) being marginally above 30% since 30 April 2009. Accordingly, the transactions between the Group and Sunlight REIT group contemplated under the following previous agreements/deeds became continuing connected transactions of the Company under the Listing Rules:

(a) a property management agreement dated 29 November 2006 (as supplemented by a supplemental agreement dated 28 April 2009) was entered into between Henderson Sunlight Asset Management Limited ("HSAM") and Henderson Sunlight Property Management Limited ("Property Manager") as property manager (and property holding companies under the Sunlight REIT group have also subsequently acceded to the said agreement) relating to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT up to 30 June 2012 at a fee of 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT for property and lease management services and a commission as calculated on the base rent or licence fee for a tenancy or a licence secured ("Property Management Transactions");

(b) a trust deed dated 26 May 2006 (as supplemented by three supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively) was entered into between Uplite Limited as settlor, a subsidiary of SKFE Group, HSAM as manager and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of Sunlight REIT units and/or cash. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement ("Asset Management Transactions");

(c) agreements of various dates were entered into between the Property Manager and Megastrength Security Services Company Limited ("Megastrength"), the Group's subsidiary in respect of the provision of security and related services for a number of properties owned by the Sunlight REIT at a typical fixed monthly or yearly service fee payable to Megastrength ("Security Services Transactions"); and

(d) agreements or arrangements to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services, including but not limited to cleaning services for the properties of Sunlight REIT ("Other Ancillary Property Services Transactions").

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions would not exceed the following:

Period from 30 April 2009 to 31 December 2009 (HK$ million)	Financial year ended 31 December 2010 (HK$ million)	Financial year ended 31 December 2011 (HK$ million)	Financial year ending 31 December 2012 (HK$ million)
80	120	130	140

For the year ended 31 December 2011, the Group received HK$37,525,000 for the Property Management Transactions, HK$64,665,000 for the Asset Management Transactions and HK$2,745,000 for the Security Services Transactions which in aggregate amounted to HK$104,935,000; while no fee was received for the Other Ancillary Property Services Transactions (collectively "Sunlight REIT Transactions").

(ii) Reference is made to the announcements of the Company dated 6 June 2008 and 11 November 2009 and annual report of 2010. There were certain continuing connected transactions of the Group in relation to its provision of project management services, leasing agency services, sales agency services and main contractor services (collectively the "Transactions") to its 60% owned subsidiaries, Nation Sheen Limited ("Nation Sheen") and/or Carry Express Investment Limited ("Carry Express") in which Mr Yeung Sai Hong and his associates (connected persons of the Company at subsidiary level) together hold 40% equity interest. Nation Sheen and Carry Express were therefore connected persons of the Company.

In pursuance of Rule 14A.12A(1)(b) of the revised Listing Rules which took effect on 3 June 2010, a non wholly-owned subsidiary is no longer regarded as a connected person by virtue of being an associate of any connected persons at the subsidiary level of a listed company. Accordingly, Nation Sheen and Carry Express are no longer connected persons of the Company and the Transactions which ceased to be continuing connected transactions on the aforesaid effective date are not subject to any compliance requirements under the Listing Rules.

(iii) As disclosed in the announcement dated 26 October 2010, the following letter agreements relating to the provision by Henderson Real Estate Agency Limited ("HREAL") of the sales and marketing agency services and the venue for the show flats were entered into on the dates set out below:

(a) On 26 February 2010, HREAL was appointed by Henderson Development Agency Limited ("HDAL") as the sales and marketing sub-agent for the disposal of the residential units and/or car parking spaces of Park Rise located at 17 MacDonnell Road, Mid-levels, Hong Kong (the "Park Rise Units") at a sales sub-agency fee of 0.75% of the total gross proceeds of disposal for the Park Rise Units for three years;

(b) On 27 April 2010, HREAL was appointed by Long Hope Development Limited ("Long Hope") as the sales and marketing agent for the disposal of the four luxurious low-rise houses located at Nos.11, 12, 12A and 12B Headland Road, Hong Kong (the "Headland Low-rise Houses") at a sales agency fee of 0.6% of the total gross proceeds of disposal for the Headland Low-rise Houses received by Long Hope for eighteen months; and

(c) On 26 October 2010, HREAL was appointed by HDAL as the sales and marketing sub-agent to provide (i) sales and marketing agency services at a sales sub-agency fee of 0.75% of the total gross proceeds for three years and (ii) venue located at Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for the show flats (the "Venue"), in relation to the disposal of the residential units and/or car parking spaces located at No.72 Staunton Street, Hong Kong (the "Staunton Units") at a monthly fee of approximately HK$0.89 million (calculated in manner as described therein) for the period from 1 September 2010 up to 30 June 2012 (both dates inclusive).

HDAL is the principal agent of the Park Rise Units and the Staunton Units which are developed by the companies indirectly controlled by the private trusts of the family of Dr Lee Shau Kee. The developers of the Headland Low-rise Houses are Long Hope (indirectly controlled by the private trusts of the family of Dr Lee Shau Kee) and Rightlane Investment Limited (a wholly-owned subsidiary of the Company), which respectively holds a 55.58% and 44.42% interest in such development.

The annual caps for the aggregate sales agency/sub-agency fees under the sales agency/sub-agency letter agreements in relation to the Park Rise Units, Headland Low-rise Houses and the Staunton Units (the "Sales Agency/Sub-agency Letter Agreements") and the fee regarding the Venue are shown below:

	For the period up to 31 December 2010 (HK$ million)	For the financial year ended 31 December 2011 (HK$ million)	For the financial year ending 31 December 2012 (HK$ million)	For the period up to 25 October 2013 (HK$ million)
Annual caps for the aggregate sales agency/sub-agency fees under the Sales Agency/Sub-agency Letter Agreements	29.69	23.89	19.52	19.52
Annual caps for the fee regarding the Venue	4.27	12.82	6.41	N/A
Total annual caps	33.96	36.71	25.93	19.52

For the year ended 31 December 2011, the Group received HK$12,957,000 as the aggregate Sales Agency/Sub-agency Fees under the Sales Agency/Sub-agency Letter Agreements and HK$11,463,000 as the fees regarding the Venue under the Staunton Sub-agency Letter Agreement (collectively the "Agency and Venue Transactions").

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that the Sunlight REIT Transactions and the Agency and Venue Transactions are (a) in accordance with the terms of the respective agreements/deeds relating to the transactions in question; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or on terms no less favourable than terms available to (or from, as appropriate) independent third parties; and (d) fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that the Sunlight REIT Transactions and the Agency and Venue Transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements/deeds governing the continuing connected transactions; and (d) have not exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's 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 Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.38 of the Listing Rules. The Company has provided a signed copy of the said letter to the Hong Kong Stock Exchange.

(iv) On 15 September 2011, the Group as purchaser entered into the acquisition agreement for the purpose of acquisition of shares in, and loans to, property holding companies from Henderson Development Limited, Jetwin International Limited ("Jetwin"), Shau Kee Financial Enterprises Limited ("SKFEL") and Madam Lee Wun Yiu ("Madam Lee") as vendors at the total share considerations and loan considerations of HK$796 million subject to the adjustments as stated in the acquisition agreement (collectively the "Property Holding Acquisitions").

The Property Holding Acquisitions related to interests in 25 properties comprising shops, interests in commercial building, premises in residential buildings and carparking spaces located in Hong Kong Island, Kowloon and New Territories as more particularly described in the announcement of the Company dated 15 September 2011. Customary warranties (including those in relation to title to assets, accounts, etc.) were given by the vendors to the Company. A deed of indemnity was entered into by the vendors whereby the vendors agreed to indemnify the Group against any losses incurred by any member of the the Group as a result of any breach of warranties in relation to the subject properties under the aforesaid acquisition agreement. A deed of tax indemnity was also executed by the vendors in favour of the Group.

Henderson Development Limited was the controlling shareholder of the Company and each of Jetwin and SKFEL was respectively controlled by a private trust of the family of Dr Lee Shau Kee. Madam Lee is the sister of Dr Lee Shau Kee. Accordingly, each of the vendors was a connected person of the Company and the Property Holding Acquisitions constituted connected transactions under the Listing Rules.

(5) The material related party transactions set out in note 38 to the accounts on pages 231 to 233 include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended and as at 31 December 2011 were as follows:

Dr Lee Shau Kee, the Chairman of the Company, and Mr Lee Ka Kit, Mr Lee Ka Shing and Mr Li Ning, Directors of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group were involved in the investment, development and management of properties of different types and/or in different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Purchase, Sale or Redemption of the Company's Listed Securities

Except for the issue of shares regarding the scrip dividend schemes and bonus warrants, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

Major Customers and Suppliers

For the year ended 31 December 2011:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

(2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

Management Discussion and Analysis

A management discussion and analysis of the Group's results for the year ended 31 December 2011 is shown on pages 94 to 101.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. The amount of forfeited contributions of the Scheme utilised during the year ended 31 December 2011 was HK$689,000 (2010: HK$1,384,000). As at 31 December 2011, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (2010: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the year ended 31 December 2011 was HK$1,241,000 (2010: HK$1,958,000) and the balance available to be utilised as at 31 December 2011 was HK$293,000 (2010: HK$336,000).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 31 December 2011 were HK$71,000,000 (2010: HK$64,000,000).

Revolving Credit Agreement with Covenants of the Controlling Shareholders

A wholly-owned subsidiary of the Company acted as borrower for a HK$10,000,000,000 revolving credit facility obtained in 2004 that consisted of a 5-year and a 7-year tranche in equal amounts from a syndicate of banks under the guarantee given by the Company. The 5-year tranche and 7-year tranche of this credit facility were fully repaid and cancelled in July 2009 and June 2011 respectively. In addition, the HK$13,350,000,000 5-year revolving credit facility obtained by a wholly-owned subsidiary of the Company in 2006 was repaid and cancelled in June 2011.

Wholly-owned subsidiaries of the Company, as borrowers, have respectively obtained a HK$8,000,000,000 3-year term loan facility in 2009, 5-year term loan and revolving credit facilities of up to HK$13,250,000,000 in 2010, 3-year term loan and revolving credit facilities of up to HK$10,000,000,000 in January 2011 and 5-year term loan and revolving credit facilities of up to HK$10,000,000,000 in June 2011 from groups of syndicate of banks under separate guarantees given by the Company.

In connection with each of the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding (if any) under the respective credit facilities may become due and payable on demand.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution for the re-appointment of KPMG as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 112 to 119.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 21 March 2012

Biographical Details of Directors and Senior Management

Executive Directors

Dr the Hon. LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 83, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 55 years. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Investment Limited, the chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited, all of which are listed companies. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Mr Lee Ka Kit and Mr Lee Ka Shing and the father-in-law of Mr Li Ning.

LEE Ka Kit, *JP*, aged 48, a Member of the National Committee of the Chinese People's Political Consultative Conference and a Vice Chairman of the Subcommittee for Economic Affairs of the National Committee, has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited as well as, a director of The Hong Kong and China Gas Company Limited and Intime Department Store (Group) Company Limited, all of which are listed companies. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. Mr Lee is a director of Henderson Development which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Shing and the brother-in-law of Mr Li Ning.

LAM Ko Yin, Colin, *FCILT, FHKIoD*, aged 60, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. He holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 38 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a director of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is a member of the Court of The University of Hong Kong, a Director of The University of Hong Kong Foundation for Educational Development and Research Limited, and a Director of Fudan University Education Development Foundation. Mr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 40, a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited, managing director of Miramar Hotel and Investment Company, Limited as well as a director of The Hong Kong and China Gas Company Limited, all of which are listed companies. Mr Lee is a director of Henderson Development and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Kit and the brother-in-law of Mr Li Ning.

YIP Ying Chee, John, *LLB*, *FCIS*, aged 63, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 30 years' experience in corporate finance, and corporate and investment management.

SUEN Kwok Lam, *JP*, *MH*, *FHIREA*, aged 65, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 9 June 2011. He is the Vice President of Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He was the President of Hong Kong Association of Property Management Companies from 2003 to 2007. He has over 40 years' experience in property management. He was awarded the Medal of Honour in 2005 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively.

LEE King Yue, aged 85, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 55 years. He is also an executive director of Henderson Investment Limited, a listed company. Mr Lee is a director of Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

FUNG LEE Woon King, aged 73, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man.

LAU Yum Chuen, Eddie, aged 65, has been an Executive Director of the Company since 1987. He has over 40 years' experience in banking, finance and investment. Mr Lau is also a director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both are listed companies. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 9 June 2011.

LI Ning, *BSc, MBA*, aged 55, has been an Executive Director of the Company since 1992. He holds a B.Sc. degree from Babson College and an MBA degree from the University of Southern California. Mr Li is also a director of Hong Kong Ferry (Holdings) Company Limited and Glencore International plc, both are listed companies. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 1 June 2010. He is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret and the brother-in-law of Mr Lee Ka Kit and Mr Lee Ka Shing.

KWOK Ping Ho, Patrick, *BSc, MSc, Post-Graduate Diploma in Surveying, ACIB*, aged 59, joined the Company in 1987 and has been an Executive Director since 1993. He holds a B.Sc. (Engineering) degree, an M.Sc. (Administrative Sciences) degree and a Post-Graduate Diploma in Surveying (Real Estate Development). Mr Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also an executive director of Henderson Investment Limited, a listed company and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)*, aged 51, joined the Company in 1996 and has been an Executive Director of the Company since September 2010. He is presently the General Manager of Property Development Department as well. Mr Wong is also an executive director of Henderson Investment Limited, a listed company. He is a registered professional surveyor and has over 27 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

Non-executive Directors

AU Siu Kee, Alexander, *OBE*, *ACA*, *FCCA*, *FCPA*, *AAIA*, *FCIB*, *FHKIB*, aged 65. Mr Au was an Executive Director and the Chief Financial Officer of the Company for the period from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director on 1 July 2011. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently Mr Au is an independent non-executive director of Wheelock and Company Limited, a listed company. Within Henderson Land Group, he is a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are listed companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of The Hong Kong University of Science and Technology. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

LEUNG Hay Man, *FRICS*, *FCIArb*, *FHKIS*, aged 77, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. He is also a member of the Audit Committee of the Company. Mr Leung is a Chartered Surveyor. He is also a director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies.

LEE Pui Ling, Angelina, *SBS*, *JP*, *LLB*, *FCA*, aged 63, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo, Kwan, Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee is active in public service and is currently a Non-executive Director of the Securities and Futures Commission and a member of its Takeover and Mergers Panel and Takeovers Appeal Committee. She is also a non-executive director of Cheung Kong Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies. Mrs Lee was previously a Non-executive Director of the Mandatory Provident Fund Schemes Authority.

LEE Tat Man, aged 74, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 35 years and is also an executive director of Henderson Investment Limited, a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 62, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Property Holdings Limited, China Chengtong Development Group Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited, OP Financial Investments Limited and Quam Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. for two terms of three years to June 2009 and an independent non-executive director of Tianjin Development Holdings Limited until 26 May 2010, China Oilfield Services Limited until 28 May 2010, Frasers Property (China) Limited until 14 January 2011, COSCO International Holdings Limited until 9 June 2011 and Beijing Capital International Airport Company Limited until 15 June 2011.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 61, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Beijing and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991-1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982-1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, a listed company. He also served as an independent non-executive director of a listed company, China Resources Microelectronics Limited, until its privatisation in November 2011.

WU King Cheong, *BBS, JP*, aged 61, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Ltd. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. Mr Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed company, until 27 October 2011.

WOO Ka Biu, Jackson, *MA (Oxon)*, aged 49, has been appointed as an Independent Non-executive Director of the Company since 1 March 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. Mr Woo is currently a partner of Ashurst Hong Kong and was a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as an non-executive director of the Company and Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. Mr Woo's corresponding alternate directorship ceased at the same time when Sir Po-shing Woo resigned from the Board of the Company on 29 February 2012 and retired from the Board of HIL on 1 June 2010. He is a director of Kailey Group of Companies. He is also an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as an non-executive director of Sun Hung Kai Properties Limited, as well as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., both of which are listed companies. He is the son of Sir Po-shing Woo.

Senior Management

David Francis DUMIGAN, *BSc, C Eng, FICE, FHKIE, RPE*, aged 54, joined the Company in 1995 and is presently the General Manager of Project Management (1) Department. He is a Fellow Member of the Hong Kong Institution of Engineers and Institution of Civil Engineers. Mr Dumigan has over 30 years' experience in the design and construction of major development projects in Hong Kong and mainland China.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification*, aged 58, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 33 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, FRICS, RPS (GP)*, aged 58, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He holds a Master of Science degree in International Real Estate and a Postgraduate Diploma in Management Studies. He is a Fellow Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and is also a Registered Professional Surveyor. He has over 35 years' experience in land and property development. Prior to joining the Company, Mr Leung held a Chief Estate Surveyor post in the Lands Department of the Hong Kong Government and had over 20 years' experience in government land disposal, land exchange, lease modification and premium assessment. He is currently serving on several government advisory committees.

WONG Wing Hoo, Billy, *JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE*, aged 54, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005. He served as President of Hong Kong Construction Association and Chairman of Construction Industry Training Authority, and is currently a member of Construction Industry Council, Chairman of Construction Industry Training Board, and Permanent Supervisor of Hong Kong Construction Association.

LAM Tat Man, Thomas, *MEM(UTS), DMS, EHKIM, MHIREA, CHINA GBL MANAGER*, aged 52, joined the Company in 1983 and is presently the General Manager of Sales Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 28 years' experience in property sales and marketing.

LEE Pui Man, Margaret, *BHum (Hons)*, aged 51, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B. Hum. (Honours) degree from the University of London and has over 27 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning and the sister of Mr Lee Ka Kit and Mr Lee Ka Shing.

SIT Pak Wing, *ACIS, FHIREA*, aged 64, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 35 years' experience in marketing development, leasing and property management.

Dr Wong Kim Wing, Ball, *BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK),* aged 50, joined the Company in August 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He also advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the Director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCIS*, aged 54, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), ACA*, aged 49, joined the Company in June 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is an associate member of the Institute of Chartered Accountants in England & Wales. He has over 20 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

Accounts

Report of the Independent Auditor

Independent auditor's report to the shareholders of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Henderson Land Development Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 147 to 241, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation of consolidated accounts 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 Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts 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 accounts based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, 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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, 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 accounts 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 accounts.

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

Opinion

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Note	2011 HK$ million	2010 HK$ million
Turnover	5	**15,188**	7,092
Direct costs		**(8,418)**	(3,843)
		6,770	3,249
Other revenue	6	**325**	209
Other net income	7	**76**	1,555
Selling and marketing expenses		**(937)**	(658)
Administrative expenses		**(1,687)**	(1,508)
Profit from operations before changes in fair value of investment properties and investment properties under development		**4,547**	2,847
Increase in fair value of investment properties and investment properties under development	17(a)	**8,968**	9,538
Profit from operations after changes in fair value of investment properties and investment properties under development		**13,515**	12,385
Finance costs	8(a)	**(1,169)**	(970)
		12,346	11,415
Share of profits less losses of associates		**3,711**	2,908
Share of profits less losses of jointly controlled entities		**2,924**	2,916
Profit before taxation	8	**18,981**	17,239
Income tax	11(a)	**(1,618)**	(1,601)
Profit for the year		**17,363**	15,638
Attributable to:			
Equity shareholders of the Company	12	**17,184**	15,820
Non-controlling interests		**179**	(182)
Profit for the year		**17,363**	15,638
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*15(a)*	***HK$7.44***	*HK$7.32*
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development net of deferred tax (underlying earnings per share)			
Basic and diluted	*15(b)*	***HK$2.41***	*HK$2.33*

The notes on pages 154 to 241 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	**2011 HK$ million**	2010 HK$ million
Profit for the year		**17,363**	15,638
Other comprehensive income for the year (after tax and reclassification adjustments):	14		
Exchange differences: net movement in the exchange reserve		**1,938**	1,120
Cash flow hedges: net movement in the hedging reserve		**(1,150)**	136
Available-for-sale equity securities: net movement in the fair value reserve		**(614)**	175
Share of other comprehensive income of associates and jointly controlled entities		**270**	335
		444	1,766
Total comprehensive income for the year		**17,807**	17,404
Attributable to:			
Equity shareholders of the Company		**17,587**	17,560
Non-controlling interests		**220**	(156)
Total comprehensive income for the year		**17,807**	17,404

The notes on pages 154 to 241 form part of these accounts.

Balance Sheets

at 31 December 2011

	Note	The Group		The Company	
		2011 **HK$ million**	2010 HK$ million	**2011** **HK$ million**	2010 HK$ million
Non-current assets					
Fixed assets	17	**92,771**	84,068	**–**	–
Intangible operating right	18	**454**	479	**–**	–
Interest in subsidiaries	19	**–**	–	**131,345**	118,415
Interest in associates	20	**40,117**	37,981	**121**	124
Interest in jointly controlled entities	21	**23,722**	20,947	**219**	193
Derivative financial instruments	22	**620**	752	**–**	–
Other financial assets	23	**3,617**	3,489	**–**	–
Deferred tax assets	11(c)	**673**	541	**–**	–
		161,974	148,257	**131,685**	118,732
Current assets					
Deposits for acquisition of properties	24	**8,433**	6,925	**–**	–
Inventories	25	**68,204**	60,717	**–**	–
Trade and other receivables	26	**4,495**	4,497	**29**	28
Cash held by stakeholders		**514**	119	**–**	–
Cash and cash equivalents	28	**18,850**	9,797	**1**	1
		100,496	82,055	**30**	29
Current liabilities					
Trade and other payables	29	**9,030**	5,812	**16,589**	14,929
Bank loans and overdrafts	30	**19,699**	7,516	**–**	–
Current taxation		**798**	733	**–**	–
		29,527	14,061	**16,589**	14,929
Net current assets/(liabilities)		**70,969**	67,994	**(16,559)**	(14,900)
Total assets less current liabilities		**232,943**	216,251	**115,126**	103,832

Balance Sheets

at 31 December 2011

	Note	The Group 2011 HK$ million	The Group 2010 HK$ million	The Company 2011 HK$ million	The Company 2010 HK$ million
Non-current liabilities					
Bank loans	30	**16,581**	27,132	**–**	–
Guaranteed notes	31	**10,877**	6,991	**–**	–
Amount due to a fellow subsidiary	32	**8,583**	12,976	**–**	–
Derivative financial instruments	22	**1,895**	641	**–**	–
Deferred tax liabilities	11(c)	**5,082**	4,088	**–**	–
		43,018	51,828	**–**	–
NET ASSETS		**189,925**	164,423	**115,126**	103,832
CAPITAL AND RESERVES	33				
Share capital	33(b)	**4,738**	4,352	**4,738**	4,352
Reserves		**180,598**	154,686	**110,388**	99,480
Total equity attributable to equity shareholders of the Company		**185,336**	159,038	**115,126**	103,832
Non-controlling interests		**4,589**	5,385	**–**	–
TOTAL EQUITY		**189,925**	164,423	**115,126**	103,832

Approved and authorised for issue by the Board of Directors on 21 March 2012.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 154 to 241 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$ million	Share premium HK$ million	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2010		4,294	29,782	16	20	2,859	642	186	51	104,378	142,228	4,676	146,904
Changes in equity for 2010:													
Profit for the year		–	–	–	–	–	–	–	–	15,820	15,820	(182)	15,638
Other comprehensive income for the year	14(c)	–	–	–	–	1,389	159	192	–	–	1,740	26	1,766
Total comprehensive income for the year		–	–	–	–	1,389	159	192	–	15,820	17,560	(156)	17,404
Transfer to other reserves		–	–	–	–	–	–	–	4	(4)	–	–	–
Shares issued in respect of scrip dividends and warrants	33(b)	58	1,345	–	–	–	–	–	–	–	1,403	–	1,403
Dividend approved in respect of the previous financial period	13(b)	–	–	–	–	–	–	–	–	(1,503)	(1,503)	–	(1,503)
Dividend declared and paid in respect of the current year	13(a)	–	–	–	–	–	–	–	–	(650)	(650)	–	(650)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(78)	(78)
Advance from non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	989	989
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	(46)	(46)
Balance at 31 December 2010 and 1 January 2011		4,352	31,127	16	20	4,248	801	378	55	118,041	159,038	5,385	164,423
Changes in equity for 2011:													
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,184**	**17,184**	**179**	**17,363**
Other comprehensive income for the year	14(c)	**–**	**–**	**–**	**–**	**2,326**	**(784)**	**(1,134)**	**(5)**	**–**	**403**	**41**	**444**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**2,326**	**(784)**	**(1,134)**	**(5)**	**17,184**	**17,587**	**220**	**17,807**
Transfer to other reserves		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**
Shares issued in respect of scrip dividends and warrants	33(b)	**386**	**10,680**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,066**	**–**	**11,066**
Dividend approved in respect of the previous financial year	13(b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,644)**	**(1,644)**	**–**	**(1,644)**
Dividend declared and paid in respect of the current year	13(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(711)**	**(711)**	**–**	**(711)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(340)**	**(340)**
Increase in shareholding in a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(432)**	**(432)**
Repayment to non-controlling interests, net		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(244)**	**(244)**
Balance at 31 December 2011		**4,738**	**41,807**	**16**	**20**	**6,574**	**17**	**(756)**	**51**	**132,869**	**185,336**	**4,589**	**189,925**

The notes on pages 154 to 241 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Note	**2011** **HK$ million**	2010 HK$ million
Operating activities			
Profit before taxation		**18,981**	17,239
Adjustments for:			
– Interest income		**(232)**	(177)
– Dividend income from investments in available-for-sale equity securities	8(d)	**(76)**	(43)
– Net gain on disposal of fixed assets	7	**(72)**	(272)
– Excess of interest in fair value of the acquirees' identifiable assets over cost of business combination	7 & 34(a)	**–**	(22)
– Provision on inventories	7	**1**	4
– Bad debts written off	7	**7**	–
– Impairment loss on trade and other receivables, net	7	**1**	112
– Net gain on disposal of subsidiaries	7 & 34(b)	**–**	(1,203)
– Gain on disposal of an associate	7 & 34(a)	**–**	(37)
– Gain on sale of listed securities	7	**–**	(90)
– Increase in fair value of investment properties and investment properties under development	17(a)	**(8,968)**	(9,538)
– Finance costs	8(a)	**1,169**	970
– Amortisation and depreciation	8(d)	**200**	175
– Share of profits less losses of associates		**(3,711)**	(2,908)
– Share of profits less losses of jointly controlled entities		**(2,924)**	(2,916)
– Net foreign exchange (gain)/loss		**(71)**	12
Operating profit before changes in working capital		**4,305**	1,306
(Increase)/decrease in instalments receivable		**(412)**	3,417
Decrease in long term receivable		**15**	12
Increase in deposits for acquisition of properties		**(1,239)**	(860)
Increase in inventories (other than those acquired through purchase of subsidiaries and transfers to/from investment properties)		**(5,283)**	(19,418)
Decrease/(increase) in debtors, prepayments and deposits		**183**	(1,010)
Increase in gross amount due from customers for contract work		**(36)**	(5)
Increase in cash held by stakeholders		**(395)**	(73)
Decrease in creditors and accrued expenses		**(399)**	(514)
Increase in gross amount due to customers for contract work		**2**	1
Increase in rental and other deposits		**153**	169
Increase in forward sales deposits received		**3,125**	350
Cash generated from/(used in) operations		**19**	(16,625)
Interest received		**35**	38
Tax paid			
– Hong Kong		**(370)**	(612)
– Outside Hong Kong		**(284)**	(83)
Net cash used in operating activities		**(600)**	(17,282)

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Note	**2011 HK$ million**	2010 HK$ million
Investing activities			
Payment for purchase of fixed assets		**(471)**	(377)
Proceeds from disposal of fixed assets		**1,747**	520
(Advances to)/repayment from associates		**(35)**	174
Advances to jointly controlled entities		**(210)**	(605)
Additional investments in jointly controlled entities		**(102)**	–
Payment for purchase of available-for-sale equity securities		**(179)**	(157)
Proceeds from sale of available-for-sale equity securities		**–**	239
Acquisition of subsidiaries	34(a)	**(790)**	(744)
Proceeds from disposal of subsidiaries	34(b)	**–**	125
Proceeds from disposal of a subsidiary in previous period		**–**	42
Additional investments in subsidiaries		**(318)**	(4)
Interest received		**195**	122
Dividends received from associates		**1,247**	1,107
Dividends received from jointly controlled entities		**1,033**	1,050
Distribution from available-for-sale equity securities		**6**	–
Dividends received from available-for-sale equity securities		**76**	43
Net cash generated from investing activities		**2,199**	1,535
Financing activities			
(Repayment made to)/advance received from non-controlling interests, net		**(249)**	989
Proceeds from new bank loans		**9,697**	11,776
Repayment of bank loans		**(8,317)**	(6,356)
Proceeds from issuance of guaranteed notes, net		**3,937**	–
Proceeds from issuance of shares, net	33(b)	**10,026**	5
(Decrease)/increase in amount due to a fellow subsidiary		**(4,403)**	10,756
Interest and other borrowing costs paid		**(1,781)**	(1,430)
Dividends paid to equity shareholders of the Company		**(1,315)**	(755)
Dividends paid to non-controlling interests		**(340)**	(78)
Net cash generated from financing activities		**7,255**	14,907
Net increase/(decrease) in cash and cash equivalents		**8,854**	(840)
Cash and cash equivalents at 1 January	28	**9,752**	10,495
Effect of foreign exchange rate changes		**197**	97
Cash and cash equivalents at 31 December	28	**18,803**	9,752

The notes on pages 154 to 241 form part of these accounts.

Notes to the accounts

for the year ended 31 December 2011

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, construction, infrastructure, hotel operation and management, department store operation and management, finance, project management, investment holding and property management.

2 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

(b) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the accounts of the Group:

– HKAS 24 (Revised 2009), *Related party disclosures*

HKAS 24 (Revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and prior years. HKAS 24 (Revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to HKFRSs (2010)

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the accounts in the current and prior years.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *Income taxes* (the "Amendments") in respect of the recognition of deferred tax on investment properties and investment properties under development carried at fair value under HKAS 40, *Investment property*. The Amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the Amendments, the Group has adopted the Amendments early to the accounts for the year ended 31 December 2010.

Under the Amendments, the Group now measures any deferred tax liability in respect of its investment properties in Hong Kong with reference to the tax liabilities that would arise if the properties were disposed of at their carrying values at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Up to the date of issue of these accounts, except the Amendments, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these accounts. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 7	*Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 1	*Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10	*Consolidated financial statements*	1 January 2013
HKFRS 11	*Joint arrangements*	1 January 2013
HKFRS 12	*Disclosure of interests in other entities*	1 January 2013
HKFRS 13	*Fair value measurement*	1 January 2013
HKAS 27	*Separate financial statements (2011)*	1 January 2013
HKAS 28	*Investments in associates and joint ventures*	1 January 2013
HKFRS 9	*Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2 Significant accounting policies (continued)

(c) Basis of preparation of the accounts

The consolidated accounts for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale equity securities (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and investment properties under development (see note 2(j)(i)).

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and major sources of estimation uncertainty are discussed in note 3.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity (see note 2(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(n)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investee and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

2 Significant accounting policies (continued)

(e) Associates and jointly controlled entities (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

2 Significant accounting policies (continued)

(g) Other investments in equity securities (continued)

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(n)).

Investments in equity securities which do not fall into the above category are classified as available-for-sale equity securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(x)(viii). When these investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. The change in fair value of the hedging instrument that is recognised directly in equity is reclassified from equity to profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point in time remains in equity until the transaction occurs and it is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Fixed assets

(i) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(m)) to earn rental income and/or for capital appreciation, but not for sale in the ordinary course of business, use in the production of supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

The cost of self-constructed investment property includes borrowing costs capitalised (see note 2(z)), aggregate cost of development, materials and supplies, wages and other direct expenses.

2 Significant accounting policies (continued)

(j) Fixed assets (continued)

(i) Investment properties and investment properties under development (continued)

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(m)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(m).

(ii) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

– hotel properties;

– other land and buildings; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the aggregate cost of development, materials and supplies, wages, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs capitalised (see note 2(z)) and other direct expenses capitalised.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

2 Significant accounting policies (continued)

(k) Depreciation of fixed assets

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Hotel properties, leasehold land classified as being held for own use under finance leases and other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years if shorter.

(iii) Properties under development for own use

No depreciation is provided until such time the relevant assets are completed and ready for use.

(iv) Other property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements, furniture and fixtures	5 years
– Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(l) Intangible operating right

Intangible operating right is stated at cost less accumulated amortisation and impairment losses (see note 2(n)).

Amortisation is provided to write off the cost of toll bridge operating right using the straight-line method over its remaining life.

Intangible operating right is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2 Significant accounting policies (continued)

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(j)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(j)(i)) or is held for development for sale (see note 2(o)(ii)).

2 Significant accounting policies (continued)

(n) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

- For available-for-sale equity securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held for own use under a finance lease;
- intangible operating right; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(n)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial period to which such interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the financial period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 Significant accounting policies (continued)

(o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) *Leasehold land held for development for sale*

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) *Properties held for/under development for sale*

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses capitalised, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) *Completed properties for sale*

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) *Retail, catering stocks and trading goods*

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Debtors, prepayments and deposits".

2 Significant accounting policies (continued)

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(n)).

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(v) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies (continued)

(v) Income tax (continued)

(iii) (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 Significant accounting policies (continued)

(v) Income tax (continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised less accumulated amortisation.

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred where it is probable that such costs will be recoverable.

(v) Toll fee income

Toll fee income is recognised when services are provided.

(vi) Hotel operation

Income from hotel operation is recognised when services are provided.

(vii) Sale of goods

Revenue arising from the sale of goods from department store operation is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recognised after deduction of any trade discounts.

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 Significant accounting policies (continued)

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 Significant accounting policies (continued)

(aa) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the accounts, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and investment properties under development

As described in note 17, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties) and intangible operating right may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

(d) Recognition of deferred tax assets

At 31 December 2011, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments entered into for hedging purposes, instalments receivable, rental and other trade receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Regarding toll fee income receivable from the toll bridge, the amount is collected on behalf of the Group by 杭州市城市「四自」工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou, mainland China to record the traffic flow and make payment of the toll fee of the toll bridge pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Group and the Hangzhou Toll Office. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the financial guarantees given by the Company as disclosed in note 37, the Group does not provide any other guarantee which exposes the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

4 Financial risk management and fair values (continued)

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

Given the amount due to a fellow subsidiary has no fixed terms of repayment (see note 32), it is not practical to disclose its remaining contractual maturities at the balance sheet date. Except for this, the following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cashflows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the balance sheet date) and the earliest date on which the Group and the Company can be required to pay:

The Group

	2011 Contractual undiscounted cash outflow						2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Balance sheet carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Balance sheet carrying amount HK$ million
Bank loans and overdrafts	20,360	3,632	12,233	2,181	38,406	36,280	8,140	16,867	9,431	2,278	36,716	34,648
Guaranteed notes	562	562	3,957	9,880	14,961	10,877	403	403	2,368	6,943	10,117	6,991
Creditors and accrued expenses	4,195	–	–	–	4,195	4,195	4,207	64	–	–	4,271	4,271
Rental and other deposits	463	383	214	18	1,078	1,078	409	241	166	92	908	908
Amounts due to associates	100	–	–	–	100	100	107	–	–	–	107	107
Amounts due to jointly controlled entities	69	–	–	–	69	69	115	–	–	–	115	115
	25,749	4,577	16,404	12,079	58,809	52,599	13,381	17,575	11,965	9,313	52,234	47,040

	2011 Contractual undiscounted cash inflow/(outflow)					2010 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments	(315)	(314)	(909)	(1,657)	(3,195)	(187)	(191)	(571)	(1,299)	(2,248)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(453)	(1,589)	(2,301)	(7,654)	(11,997)	(443)	(445)	(3,540)	(7,861)	(12,289)
– inflow	451	1,592	2,363	7,551	11,957	439	440	3,585	7,776	12,240

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company

	2011		2010	
	Contractual undiscounted cash outflow		Contractual undiscounted cash outflow	
	Within 1 year or on demand HK$ million	Balance sheet carrying amount HK$ million	Within 1 year or on demand HK$ million	Balance sheet carrying amount HK$ million
Creditors and accrued expenses	**52**	**52**	14	14
Amounts due to associates	**21**	**21**	30	30
Amounts due to jointly controlled entities	**7**	**7**	14	14
	80	**80**	58	58
Financial guarantees issued:				
Maximum amount guaranteed (note 37)	**46,385**	**–**	39,843	–

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedging

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to enable the Group to secure a fixed interest rate level in relation to the Hong Kong dollar funding resulting from the conversion of the principal amounts of the guaranteed notes (see note 31) and the bank borrowings denominated in United States dollars into Hong Kong dollars. As a result, the Group hedges against the interest rate risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2014-2022 denominated in United States dollars ("US$") and Pound Sterling ("£") with aggregate principal amounts of US$325 million (2010: US$325 million) and £50 million (2010: £50 million) (see note 31) at 31 December 2011; (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million (2010: US$500 million) (see note 31) at 31 December 2011; (iii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes issued pursuant to the Medium Term Note Programme established by the Group on 30 August 2011 denominated in United States dollars with aggregate principal amount of US$10 million (2010: US$Nil) at 31 December 2011; and (iv) between the drawdown dates and the repayment dates in respect of the entire amount of the bank borrowings denominated in United States dollars with an aggregate amount of US$148 million (2010: US$148 million) at 31 December 2011.

4 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) *Hedging (continued)*

Interest rate swap contracts have also been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings which bear floating interest rates denominated in Hong Kong dollars with an aggregate amount of HK$13,000 million (2010: HK$7,100 million) at 31 December 2011.

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to these guaranteed notes and bank borrowings.

The swap contracts will mature between 18 September 2013 and 20 October 2026 (2010: 18 September 2013 and 22 July 2025) matching the maturity of the related guaranteed notes and the repayment dates of the bank borrowings and have fixed swap interest rates ranging from 1.23% to 5.735% (2010: 2.59% to 5.735%) per annum. The fair value of such swap contracts entered into by the Group at 31 December 2011 amounted to HK$620 million (2010: HK$752 million) (derivative financial assets) and HK$1,895 million (2010: HK$641 million) (derivative financial liabilities), respectively. These amounts are recognised as derivative financial instruments at 31 December 2011 and 2010 (see note 22).

(ii) *Interest rate profile*

The following table details the interest rate profile of the Group's bank loans and overdrafts and guaranteed notes at the balance sheet date, after taking into account the effect of swap contracts designated as cash flow hedging instruments (see (i) above).

	2011		
	Fixed/ floating	**Effective interest rate**	**Amount HK$ million**
Bank loans and overdrafts	**Floating**	**2.79%**	**21,424**
Bank loans	**Fixed**	**3.85%**	**14,856**
Guaranteed notes	**Fixed**	**4.80%**	**10,877**

	2010		
	Fixed/ floating	Effective interest rate	Amount HK$ million
Bank loans and overdrafts	Floating	2.06%	25,659
Bank loans	Fixed	4.15%	8,989
Guaranteed notes	Fixed	5.21%	6,991

4 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

Assuming that the interest rates had increased/decreased by not more than 100 basis points (2010: 100 basis points) at 31 December 2011 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

The sensitivity analysis above assumes the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements of the investments and the related returns to be generated therefrom.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Singapore dollars ("S$"), Euros and Japanese Yen. At 31 December 2011, cash deposits denominated in United States dollars amounted to US$1,011 million (2010: US$537 million). The Group does not expect that there will be any significant currency risk associated with such cash deposits given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in Singapore dollars, Euros and Japanese Yen, since the balances are insignificant, the Group considers the exposure to foreign currency risk to be low.

(i) Hedging

The foreign currency risk attributable to the guaranteed notes (see note 31) and the bank borrowings denominated in United States dollars are being hedged by way of the cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks, as a result of which the principal amounts of the guaranteed notes and the bank borrowings denominated in United States dollars were converted into Hong Kong dollars, details of which are set out in note 4(c)(i).

4 Financial risk management and fair values (continued)

(d) Foreign currency risk (continued)

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2010: 5%) at 31 December 2011 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 23).

Listed investments held in the available-for-sale equity securities portfolio have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance. Assuming that the market value of the Group's listed available-for-sale equity securities had increased/decreased by not more than 10% (2010: 10%) at 31 December 2011, with all other variables held constant, the impact on the total equity attributable to equity shareholders of the Company is not expected to be material. Any increase or decrease in the market value of the Group's listed available-for-sale equity securities would not affect the Group's profit after tax unless they are impaired.

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair value of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale equity securities would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2010.

4 Financial risk management and fair values (continued)

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	The Group		
2011	**Level 1 HK$ million**	**Level 2 HK$ million**	**Total HK$ million**
Assets			
Available-for-sale equity securities:			
– listed	**2,021**	**–**	**2,021**
Derivative financial instruments:			
– cross currency interest rate swap contracts	**–**	**620**	**620**
	2,021	**620**	**2,641**
Liabilities			
Derivative financial instruments:			
– interest rate swap contracts	**–**	**1,203**	**1,203**
– cross currency interest rate swap contracts	**–**	**692**	**692**
	–	**1,895**	**1,895**

4 Financial risk management and fair values (continued)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

	The Group		
2010	Level 1 HK$ million	Level 2 HK$ million	Total HK$ million
Assets			
Available-for-sale equity securities:			
– listed	2,577	–	2,577
Derivative financial instruments:			
– interest rate swap contracts	–	270	270
– cross currency interest rate swap contracts	–	482	482
	2,577	752	3,329
Liabilities			
Derivative financial instruments:			
– cross currency interest rate swap contracts	–	641	641

During the years ended 31 December 2011 and 2010, there were no significant transfers of financial instruments between Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2011 and 2010 except as follows:

– Amounts due from/to subsidiaries, and certain amounts due from associates and jointly controlled entities

All the amounts due from/to subsidiaries of the Company and certain amounts due from associates and jointly controlled entities of the Group are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– Unlisted investments

Equity securities of HK$377 million at 31 December 2011 (2010: HK$203 million) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date (see note 23).

4 Financial risk management and fair values (continued)

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) *Equity securities*

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) *Derivative financial instruments*

The fair value of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, discounted at current market interest rates for a similar financial instrument at the measurement date.

(iii) *Interest-bearing borrowings*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments at the measurement date.

5 Turnover

Turnover of the Group represents revenue from the sale of properties, rental income, income from construction, infrastructure business, hotel operation and management, department store operation and management, and others mainly including income from provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2011 HK$ million	2010 HK$ million
Sale of properties (note (i))	**9,692**	5,752
Less: Cancelled sales (note (ii))	**–**	(3,230)
	9,692	2,522
Rental income	**3,920**	3,157
Construction	**44**	37
Infrastructure	**299**	317
Hotel operation	**224**	184
Department store operation	**347**	307
Others	**662**	568
Total (note 16(b))	**15,188**	7,092

Notes:

(i) *Included in sale of properties is an amount of HK$Nil (2010: HK$45 million) relating to the Group's share of revenue from its interest in a property project jointly developed by the Group and an associate.*

(ii) *During the year ended 31 December 2010, the Group received written requests from the purchasers of 20 property units in 39 Conduit Road for the cancellation of the sale and purchase agreements entered into in the previous year.*

6 Other revenue

	2011 HK$ million	2010 HK$ million
Bank interest income	**189**	120
Other interest income	**8**	19
Others	**128**	70
	325	209

7 Other net income

	2011 HK$ million	2010 HK$ million
Net gain on disposal of subsidiaries (note (i) and note 34(b))	**–**	1,203
Gain on disposal of an associate (note 34(a))	**–**	37
Net gain on disposal of fixed assets	**72**	272
Gain on sale of listed securities	**–**	90
Excess of interest in fair value of the acquirees' identifiable assets over cost of business combination (note 34(a))	**–**	22
(Impairment loss)/reversal of impairment loss on trade and other receivables		
– trade debtors (notes 16(c) and 26(c))	**(1)**	59
– others (note (ii))	**–**	(171)
Bad debts written off	**(7)**	–
Provision on inventories	**(1)**	(4)
Net foreign exchange gain	**76**	27
Others	**(63)**	20
	76	1,555

Notes:

(i) *During the year ended 31 December 2010, the Group completed the disposal of (i) its entire interest in Maanshan Huan Tong Highway Development Limited, as a result of which the Group recognised a net gain on disposal of HK$47 million; and (ii) its entire interest in Sin Cheng Holdings Pte Ltd., an indirect wholly-owned subsidiary (which owned 50% equity interest in Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre), as a result of which the Group recognised a net gain on disposal of HK$1,156 million. Accordingly, the Group recorded an aggregate net gain on disposal of HK$1,203 million for the year ended 31 December 2010 (see note 34(b)).*

(ii) *The impairment loss for the year ended 31 December 2010 as referred to above included an amount of HK$135 million which was written off against certain remaining amounts of prepaid development costs in relation to a property development project in mainland China which was terminated during the previous financial year ended 30 June 2008.*

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2011 HK$ million	2010 HK$ million
(a)	**Finance costs:**		
	Bank interest	**1,071**	818
	Interest on loans wholly repayable within five years	**199**	157
	Interest on loans repayable after five years	**335**	308
	Other borrowing costs	**207**	158
		1,812	1,441
	Less: Amount capitalised*	**(643)**	(471)
		1,169	970

* *The borrowing costs have been capitalised at rates ranging from 2.60% to 6.84% (2010: 2.20% to 5.64%) per annum.*

		2011 HK$ million	2010 HK$ million
(b)	**Directors' remuneration**	**161**	167

Details of the directors' remuneration are set out in note 9.

		2011 HK$ million	2010 HK$ million
(c)	**Staff costs (other than directors' remuneration):**		
	Salaries, wages and other benefits	**1,496**	1,396
	Contributions to defined contribution retirement plans	**68**	61
		1,564	1,457

		2011 HK$ million	2010 HK$ million
(d)	**Other items:**		
	Depreciation	**168**	146
	Less: Amount capitalised	**(12)**	(14)
		156	132
	Net foreign exchange gains	**(84)**	(26)
	Cash flow hedges: net foreign exchange losses/(gains) reclassified from equity	**8**	(1)
		(76)	(27)

8 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

		2011 HK$ million	2010 HK$ million
(d)	**Other items:** (continued)		
	Amortisation of intangible operating right	**44**	43
	Cost of sales		
	– completed properties for sale (2010 – net of cancelled sales) (note (i))	**6,482**	2,096
	– trading stocks	**351**	292
	Auditors' remuneration	**20**	20
	Rentals receivable from investment properties less direct outgoings of HK$1,119 million (2010: HK$1,051 million) (note (ii))	**(2,299)**	(1,632)
	Other rental income less direct outgoings	**(321)**	(301)
	Dividend income from investments in available-for-sale equity securities		
	– listed	**(59)**	(25)
	– unlisted	**(17)**	(18)

Notes:

(i) Included in the cost of sales for the year ended 31 December 2011 in respect of completed properties for sale is an amount of HK$Nil (2010: HK$10 million) relating to the Group's share of cost of properties sold in connection with the property project jointly developed by the Group and the associate as disclosed in note 5(i).

(ii) Included contingent rental income of HK$203 million for the year ended 31 December 2011 (2010: HK$165 million).

9 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2011				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr the Hon. Lee Shau Kee	70	16,857	–	–	16,927
Lee Ka Kit	70	15,402	1,180	12	16,664
Colin Lam Ko Yin	70	7,714	22,300	463	30,547
Lee Ka Shing	70	11,784	776	559	13,189
John Yip Ying Chee	50	7,056	20,900	423	28,429
Suen Kwok Lam	60	5,424	6,880	325	12,689
Lee King Yue	70	2,928	522	176	3,696
Fung Lee Woon King	50	3,876	4,720	233	8,879
Eddie Lau Yum Chuen	60	–	–	–	60
Li Ning	50	2,820	1,150	169	4,189
Patrick Kwok Ping Ho	120	3,756	1,440	225	5,541
Augustine Wong Ho Ming	70	6,640	3,360	398	10,468
Non-executive Directors					
Sir Po-shing Woo	50	–	–	–	50
Alexander Au Siu Kee*	235	3,870	2,630	193	6,928
Leung Hay Man	70	430	–	–	500
Angelina Lee Pui Ling	50	–	–	–	50
Lee Tat Man	70	–	–	–	70
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	70	480	–	–	550
Professor Ko Ping Keung	70	480	–	–	550
Wu King Cheong	70	480	–	–	550
Total for the year ended 31 December 2011	1,495	89,997	65,858	3,176	160,526

* *Re-designated from Executive Director to Non-executive Director with effect from 1 July 2011.*

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	2010				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr the Hon. Lee Shau Kee	70	15,189	–	–	15,259
Lee Ka Kit	70	13,669	1,660	12	15,411
Colin Lam Ko Yin	70	7,416	28,584	445	36,515
Lee Ka Shing	70	11,562	1,048	537	13,217
John Yip Ying Chee	50	6,780	26,220	407	33,457
Alexander Au Siu Kee	106	7,440	5,260	372	13,178
Suen Kwok Lam	70	5,220	7,080	313	12,683
Lee King Yue	70	2,820	630	169	3,689
Fung Lee Woon King	50	3,732	4,868	224	8,874
Eddie Lau Yum Chuen	70	–	–	–	70
Li Ning	58	2,664	1,306	160	4,188
Patrick Kwok Ping Ho	120	3,612	1,588	217	5,537
Augustine Wong Ho Ming	21	1,760	1,039	106	2,926
Non-executive Directors					
Sir Po-shing Woo	58	–	–	–	58
Leung Hay Man	70	430	–	–	500
Angelina Lee Pui Ling	50	–	–	–	50
Lee Tat Man	70	–	–	–	70
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	70	430	–	–	500
Professor Ko Ping Keung	70	430	–	–	500
Wu King Cheong	70	430	–	–	500
Total for the year ended 31 December 2010	1,353	83,584	79,283	2,962	167,182

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current or prior year.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, all (2010: five) of them are directors whose emoluments are disclosed in note 9.

11 Income tax

(a) Income tax in the consolidated income statement represents:

	2011 HK$ million	2010 HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**655**	370
(Over)/under-provision in respect of prior years	**(26)**	36
	629	406
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**127**	261
(Over)/under-provision in respect of prior years	**(74)**	26
	53	287
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**9**	18
Under-provision in respect of prior years	**18**	–
	27	18
Deferred tax		
Origination and reversal of temporary differences	**909**	890
	909	890
	1,618	1,601

Provision for Hong Kong Profits Tax has been made at 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 HK$ million	2010 HK$ million
Profit before taxation	**18,981**	17,239
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,435**	3,123
Tax effect of share of profits less losses of associates and jointly controlled entities	**(1,095)**	(961)
Tax effect of non-deductible expenses	**369**	130
Tax effect of non-taxable revenue	**(1,229)**	(964)
Tax effect of temporary difference not recognised in prior years now recognised	**(4)**	–
Tax effect of current year's tax losses not recognised	**269**	232
Tax effect of prior year's tax losses utilised	**(42)**	(25)
Tax effect of unused tax losses not recognised in prior years now recognised	**(20)**	(53)
Land Appreciation Tax	**7**	14
Withholding tax	**15**	43
(Over)/under-provision in respect of prior years	**(87)**	62
Actual tax expense	**1,618**	1,601

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group							
	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Consideration receivable on disposal of toll collection right of toll bridges HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
Deferred tax arising from:								
At 1 January 2010	752	820	256	906	20	(310)	25	2,469
Exchange adjustments	7	59	–	2	–	–	2	70
Charged/(credited) to profit or loss	136	1,072	6	(1)	–	(365)	42	890
Charged to reserves	–	–	–	–	–	–	27	27
Acquisition of a subsidiary	–	–	–	127	–	–	–	127
Disposal of a subsidiary	–	–	–	–	–	–	(36)	(36)
At 31 December 2010	895	1,951	262	1,034	20	(675)	60	3,547
At 1 January 2011	**895**	**1,951**	**262**	**1,034**	**20**	**(675)**	**60**	**3,547**
Exchange adjustments	**11**	**111**	**–**	**–**	**–**	**–**	**–**	**122**
Charged/(credited) to profit or loss	**71**	**490**	**267**	**(2)**	**(6)**	**94**	**(5)**	**909**
Credited to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**(227)**	**(227)**
Acquisition of subsidiaries	**2**	**–**	**–**	**56**	**–**	**–**	**–**	**58**
At 31 December 2011	**979**	**2,552**	**529**	**1,088**	**14**	**(581)**	**(172)**	**4,409**

	The Group	
	2011 HK$ million	2010 HK$ million
Net deferred tax assets recognised in the consolidated balance sheet	**(673)**	(541)
Net deferred tax liabilities recognised in the consolidated balance sheet	**5,082**	4,088
	4,409	3,547

11 Income tax (continued)

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group			
	2011		2010	
	Deductible temporary differences/ tax losses HK$ million	**Deferred tax assets HK$ million**	Deductible temporary differences/ tax losses HK$ million	Deferred tax assets HK$ million
Deductible temporary differences	**68**	**11**	107	18
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**2,149**	**355**	1,168	193
– Not yet assessed by the Inland Revenue Department	**2,801**	**462**	2,890	477
Outside Hong Kong (note (ii))	**1,111**	**277**	762	189
	6,061	**1,094**	4,820	859
	6,129	**1,105**	4,927	877

Notes:

(i) The tax losses do not expire under current tax legislation.

(ii) The tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$2,583 million (2010: HK$3,235 million) which has been dealt with in the accounts of the Company.

13 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2011 HK$ million	2010 HK$ million
Interim dividend declared and paid of HK$0.3 (2010: HK$0.3) per share	**711**	650
Final dividend proposed after the balance sheet date of HK$0.7 (2010: HK$0.7) per share	**1,658**	1,644
	2,369	2,294

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year/period, approved and paid during the year

	2011 HK$ million	2010 HK$ million
Final dividend in respect of the previous financial year/period, approved and paid during the year of HK$0.7 (2010: HK$0.7) per share	**1,644**	1,503

14 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2011			2010		
	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Exchange differences: net movement in the exchange reserve	**1,938**	**–**	**1,938**	1,120	–	1,120
Cash flow hedges: net movement in the hedging reserve	**(1,377)**	**227**	**(1,150)**	163	(27)	136
Available-for-sale equity securities: net movement in the fair value reserve	**(614)**	**–**	**(614)**	175	–	175
Share of other comprehensive income of associates and jointly controlled entities	**270**	**–**	**270**	335	–	335
Other comprehensive income for the year	**217**	**227**	**444**	1,793	(27)	1,766

14 Other comprehensive income (continued)

(b) Components of other comprehensive income (including reclassification adjustments)

	2011 HK$ million	2010 HK$ million
Exchange differences:		
– translation of accounts of foreign entities	**1,938**	1,152
– reclassification adjustments for amounts transferred to profit or loss on disposal of a subsidiary	**–**	(32)
Net movement in the exchange reserve during the year recognised in other comprehensive income	**1,938**	1,120
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**(1,385)**	164
– reclassification adjustments for amounts transferred to profit or loss	**8**	(1)
– net deferred tax credited/(charged) to other comprehensive income	**227**	(27)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(1,150)**	136
Available-for-sale equity securities:		
– changes in fair value recognised during the year	**(614)**	261
– reclassification adjustments for amounts transferred to profit or loss on disposal	**–**	(86)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(614)**	175

14 Other comprehensive income (continued)

(c) For each component of equity

For the year ended 31 December 2011

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
Exchange differences:										
– translation of accounts of foreign entities	–	–	1,897	–	–	–	–	1,897	41	1,938
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	(1,157)	–	–	(1,157)	–	(1,157)
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	7	–	–	7	–	7
Available-for-sale equity securities:										
– changes in fair value	–	–	–	(614)	–	–	–	(614)	–	(614)
Share of other comprehensive income of associates and jointly controlled entities	–	–	429	(170)	16	(5)	–	270	–	270
Other comprehensive income for the year	–	–	2,326	(784)	(1,134)	(5)	–	403	41	444

14 Other comprehensive income (continued)

(c) For each component of equity (continued)

For the year ended 31 December 2010

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
Exchange differences:										
– translation of accounts of foreign entities	–	–	1,115	–	–	–	–	1,115	37	1,152
– reclassification from equity to profit or loss on disposal of a subsidiary	–	–	(21)	–	–	–	–	(21)	(11)	(32)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	137	–	–	137	–	137
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	(1)	–	–	(1)	–	(1)
Available-for-sale equity securities:										
– changes in fair value	–	–	–	261	–	–	–	261	–	261
– reclassification from equity to profit or loss on disposal	–	–	–	(86)	–	–	–	(86)	–	(86)
Share of other comprehensive income of associates and jointly controlled entities	–	–	295	(16)	56	–	–	335	–	335
Other comprehensive income for the year	–	–	1,389	159	192	–	–	1,740	26	1,766

15 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity shareholders of the Company of HK$17,184 million (2010: HK$15,820 million) and the weighted average number of 2,309 million ordinary shares in issue during the year (2010: 2,160 million ordinary shares), calculated as follows:

	2011 million	2010 million
Number of issued ordinary shares at 1 January	**2,176**	2,147
Weighted average number of ordinary shares issued in respect of exercise of warrants	**122**	–
Weighted average number of ordinary shares issued in respect of scrip dividends	**11**	13
Weighted average number of ordinary shares for the year and at 31 December	**2,309**	2,160

Diluted earnings per share were the same as the basic earnings per share for both the current and prior years as the inclusion of the dilutive potential ordinary shares in respect of the warrants in issue during the years ended 31 December 2011 and 2010 would have an anti-dilutive effect.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company of HK$5,560 million (2010: HK$5,042 million), excluding the effects of changes in fair value of investment properties and investment properties under development net of deferred tax during the year. A reconciliation of profit is as follows:

	2011 HK$ million	2010 HK$ million
Profit attributable to equity shareholders of the Company	**17,184**	15,820
Effect of changes in fair value of investment properties and investment properties under development	**(8,968)**	(9,538)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development	**490**	1,072
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(1,200)**	(659)
– jointly controlled entities	**(1,887)**	(1,742)
Effect of share of non-controlling interests	**(59)**	89
Underlying profit attributable to equity shareholders of the Company	**5,560**	5,042
Underlying earnings per share	**HK$2.41**	HK$2.33

16 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Construction	:	Construction of building works
Infrastructure	:	Investment in infrastructure projects
Hotel operation	:	Hotel operation and management
Department store operation	:	Department store operation and management
Others	:	Provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, provision on inventories, fair value adjustment of investment properties and investment properties under development, finance costs, income tax and items not specifically attributed to individual segments, such as unallocated head office and corporate expenses.

16 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below.

For the year ended 31 December 2011

	Property development HK$ million (note 5)	Property leasing HK$ million (note (iii))	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
External revenue	9,692	3,920	44	299	224	347	662	–	15,188
Inter-segment revenue	–	205	479	–	–	–	39	(723)	–
Reportable segment revenue	9,692	4,125	523	299	224	347	701	(723)	15,188
Reportable segment results	2,186	2,620	(61)	197	84	65	257		5,348
Bank interest income									189
Provision on inventories	(1)	–	–	–	–	–	–		(1)
Unallocated head office and corporate expenses, net									(989)
Profit from operations									4,547
Increase in fair value of investment properties and investment properties under development									8,968
Finance costs									(1,169)
									12,346
Share of profits less losses of associates (note (i))									3,711
Share of profits less losses of jointly controlled entities (note (ii))									2,924
Profit before taxation									18,981
Income tax									(1,618)
Profit for the year									17,363

16 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2010

	Property development HK$ million (note 5)	Property leasing HK$ million (note (iii))	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
External revenue	2,522	3,157	37	317	184	307	568	–	7,092
Inter-segment revenue	–	188	425	–	–	–	30	(643)	–
Reportable segment revenue	2,522	3,345	462	317	184	307	598	(643)	7,092
Reportable segment results	(211)	1,933	(30)	271	35	54	514		2,566
Bank interest income									120
Provision on inventories	(4)	–	–	–	–	–	–		(4)
Unallocated head office and corporate income, net									165
Profit from operations									2,847
Increase in fair value of investment properties and investment properties under development									9,538
Finance costs									(970)
									11,415
Share of profits less losses of associates (note (i))									2,908
Share of profits less losses of jointly controlled entities (note (ii))									2,916
Profit before taxation									17,239
Income tax									(1,601)
Profit for the year									15,638

Notes:

(i) During the year, the Group's share of revenue of associates arising from their activities of property development and property leasing amounted to HK$95 million (2010: HK$281 million) and HK$562 million (2010: HK$517 million), respectively.

Included in the Group's share of profits less losses of associates during the year is a profit of HK$39 million (2010: HK$115 million) contributed from the property development segment, and a profit of HK$1,582 million (2010: HK$1,006 million) contributed from the property leasing segment (taking into account the increase in fair value of investment properties (net of deferred tax) during the year of HK$1,200 million (2010: HK$659 million)).

(ii) During the year, the Group's share of revenue of jointly controlled entities arising from their activities of property development and property leasing amounted to HK$373 million (2010: HK$100 million) and HK$1,336 million (2010: HK$1,203 million), respectively.

Included in the Group's share of profits less losses of jointly controlled entities during the year is a profit of HK$54 million (2010: HK$71 million) contributed from the property development segment, and a profit of HK$2,759 million (2010: HK$2,544 million) contributed from the property leasing segment (taking into account the increase in fair value of investment properties during the year of HK$1,887 million (2010: HK$1,742 million)).

(iii) Turnover for the property leasing segment comprises rental income of HK$3,448 million (2010: HK$2,726 million) and rental-related income of HK$472 million (2010: HK$431 million), which in aggregate amounted to HK$3,920 million for the year ended 31 December 2011 (2010: HK$3,157 million).

16 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's fixed assets, intangible operating right, interests in associates and jointly controlled entities (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of the intangible operating right, and the location of operations in the case of interests in associates and jointly controlled entities.

	Revenue from external customers		Specified non-current assets	
	For the year ended 31 December		At 31 December	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Hong Kong	**13,647**	5,958	**127,571**	118,051
Mainland China	**1,541**	1,134	**29,493**	25,424
	15,188	7,092	**157,064**	143,475

(c) Other segment information

	Amortisation and depreciation		Impairment loss/ (reversal of impairment loss) on trade debtors	
	For the year ended 31 December		For the year ended 31 December	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Property development	**1**	1	**–**	(55)
Property leasing	**20**	16	**(1)**	–
Construction	**39**	13	**–**	–
Infrastructure	**45**	43	**–**	–
Hotel operation	**50**	53	**–**	–
Department store operation	**3**	4	**–**	–
Others	**42**	45	**2**	(4)
	200	175	**1**	(59)

17 Fixed assets

(a) The Group

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 January 2010	67,043	852	944	162	315	1,065	1,025	71,406
Exchange adjustments	684	(7)	–	–	–	–	8	685
Additions								
– through acquisition of a subsidiary	757	–	–	–	–	–	2	759
– others	225	517	–	–	38	–	111	891
Disposals								
– others	(20)	–	–	(28)	–	–	(42)	(90)
Surplus on revaluation	9,447	91	–	–	–	–	–	9,538
Written off	–	–	–	–	–	–	(7)	(7)
Transfer from/(to) inventories, net	–	2,238	(108)	–	–	(81)	–	2,049
Transfer to investment properties	3,500	(3,500)	–	–	–	–	–	–
At 31 December 2010	81,636	191	836	134	353	984	1,097	85,231
Representing:								
Cost	–	–	836	134	353	984	1,097	3,404
Valuation	81,636	191	–	–	–	–	–	81,827
	81,636	191	836	134	353	984	1,097	85,231

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Accumulated depreciation and impairment losses:								
At 1 January 2010	–	–	225	34	–	89	762	1,110
Exchange adjustments	–	–	–	–	–	–	5	5
Charge for the year	–	–	22	2	–	20	102	146
Acquisition of a subsidiary	–	–	–	–	–	–	2	2
Written back on disposals								
– others	–	–	–	(8)	–	–	(34)	(42)
Written off	–	–	–	–	–	–	(7)	(7)
Transfer to inventories	–	–	(46)	–	–	(5)	–	(51)
At 31 December 2010	–	–	201	28	–	104	830	1,163
Net book value:								
At 31 December 2010	81,636	191	635	106	353	880	267	84,068

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 January 2011	81,636	191	836	134	353	984	1,097	85,231
Exchange adjustments	1,112	25	–	–	–	–	12	1,149
Additions								
– through acquisition of subsidiaries	164	–	–	–	–	–	–	164
– others	171	271	–	–	65	–	205	712
Disposals								
– others	(1,830)	–	–	–	–	–	(52)	(1,882)
Surplus on revaluation	8,311	657	–	–	–	–	–	8,968
Transfer from/(to) inventories, net	(580)	296	–	–	–	–	–	(284)
At 31 December 2011	88,984	1,440	836	134	418	984	1,262	94,058
Representing:								
Cost	–	–	836	134	418	984	1,262	3,634
Valuation	88,984	1,440	–	–	–	–	–	90,424
	88,984	1,440	836	134	418	984	1,262	94,058

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Accumulated depreciation and impairment losses:								
At 1 January 2011	–	–	201	28	–	104	830	1,163
Exchange adjustments	–	–	–	–	–	–	8	8
Charge for the year	–	–	21	2	–	19	126	168
Written back on disposals								
– others	–	–	–	–	–	–	(52)	(52)
At 31 December 2011	–	–	222	30	–	123	912	1,287
Net book value:								
At 31 December 2011	88,984	1,440	614	104	418	861	350	92,771

17 Fixed assets (continued)

(b) The analysis of net book value of properties is as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
In Hong Kong		
– under long leases	**6,796**	10,307
– under medium-term leases	**59,499**	51,243
	66,295	61,550
Outside Hong Kong		
– under medium-term leases	**26,125**	22,249
– under short-term leases	**1**	2
	26,126	22,251
	92,421	83,801

(c) The Group's investment properties and investment properties under development were revalued at 31 December 2011 by DTZ, an independent firm of professional surveyors who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The Group's investment properties were valued in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential. The Group's investment properties under development were valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

18 Intangible operating right

The Group

	Toll bridge operating right	
	2011 HK$ million	2010 HK$ million
Cost:		
At 1 January	**893**	867
Exchange adjustments	**38**	26
At 31 December	**931**	893
Accumulated amortisation:		
At 1 January	**414**	359
Exchange adjustments	**19**	12
Charge for the year	**44**	43
At 31 December	**477**	414
Carrying amount:		
At 31 December	**454**	479

The toll bridge represents Hangzhou Qianjiang Third Bridge (the "Bridge") located in Zhejiang Province, mainland China.

The Group has been granted the operating right of the Bridge by the Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) (「發展和改革委員會」(前稱為「國家發展計劃委員會」)) in 1999 for a period of 30 years from 20 March 1997 (commencement date of the Bridge's operation) to 19 March 2027 during which the Group has the rights of management and maintenance of the Bridge.

The General Office of the People's Government of Zhejiang Province (浙江省人民政府) notified Zhejiang Province Department of Communications (浙江省交通運輸廳) and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of the Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012).

Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a subsidiary of Henderson Investment Limited ("HIL", being a subsidiary of the Company) which holds the operating right of the Bridge, had obtained from the Hangzhou Municipal Bureau of Communications (杭州市交通局) a written pledge on 31 December 2003 regarding the operation period of the Bridge of 30 years and they were of the view that the operating right and the toll fee collection right should be for a same period. For the sake of reassurance, in June 2011, the Joint Venture Company wrote to the People's Government of Zhejiang Province and Zhejiang Province Department of Communications requesting for their confirmation that both the operating right and toll fee collection right of the Bridge last for a same period of 30 years, the reply from whom is pending at the date of issue of these accounts. In this regard, on 9 February 2012, the Joint Venture Company filed with Legislative Affairs Office of the People's Government of Zhejiang Province (浙江省人民政府法制辦公室) an administrative reconsideration application for the purpose of seeking an order to oblige the People's Government of Zhejiang Province and Zhejiang Province Department of Communications to carry out their statutory duties to officially confirm that the toll fee collection right of the Bridge should be for a period of 30 years.

18 Intangible operating right (continued)

Whilst HIL is still waiting for the result of the application, on 20 March 2012, the Joint Venture Company received a letter dated 18 March 2012 from the Hangzhou Toll Office which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of the Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement, continue to record the traffic flow of the Bridge and work with the Joint Venture Company. The Joint Venture Company has been instructed by HIL to write to the Hangzhou Toll Office to state that the action taken by the Hangzhou Toll Office has no legal or contractual basis and is unacceptable and to ask the Hangzhou Toll Office to clarify the basis of their action and to continue to perform their obligations under the Collection Agreement, failing which the Joint Venture Company would have no alternative but to take legal actions to protect its interest.

The amortisation charge for the year is included in "Direct costs" in the consolidated income statement.

19 Interest in subsidiaries

	The Company	
	2011 HK$ million	2010 HK$ million
Unlisted shares, at cost	**2,852**	2,493
Less: Impairment loss	**(93)**	(93)
	2,759	2,400
Amounts due from subsidiaries	**128,586**	116,015
	131,345	118,415
Amounts due to subsidiaries (note 29)	**(16,509)**	(14,871)

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered/settled within one year.

Details of the principal subsidiaries at 31 December 2011 are shown on pages 234 to 239.

20 Interest in associates

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Unlisted				
Shares, at cost	**–**	–	**161**	161
Share of net assets	**1,232**	1,059	**–**	–
Amounts due from associates	**334**	606	**9**	12
	1,566	1,665	**170**	173
Less: Impairment loss	**–**	–	**(49)**	(49)
	1,566	1,665	**121**	124
Listed in Hong Kong				
Share of net assets, including goodwill on acquisition	**38,551**	36,316	**–**	–
	40,117	37,981	**121**	124
Market value of listed shares	**59,466**	55,623	**–**	–

Except for the amounts due from associates of HK$15 million (2010: HK$31 million) and HK$69 million (2010: HK$64 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2010: Hong Kong dollar prime rate less 3%) per annum and Hong Kong dollar prime rate plus 2% (2010: Hong Kong dollar prime rate plus 2%) per annum, respectively, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year and are neither past due nor impaired.

Details of the principal associates at 31 December 2011 are set out on page 240.

Summary financial information on associates:

	Assets HK$ million	Liabilities HK$ million	Equity HK$ million	Revenues HK$ million	Profit HK$ million
2011	**107,829**	**(43,250)**	**64,579**	**25,744**	**9,442**
2010	93,077	(35,678)	57,399	22,678	7,451

21 Interest in jointly controlled entities

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**18,756**	16,426	**–**	–
Amounts due from jointly controlled entities	**4,966**	4,521	**219**	193
	23,722	20,947	**219**	193

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment except for the amounts of HK$10 million (2010: HK$11 million) and HK$172 million (2010: HK$134 million) which are interest-bearing at Hong Kong dollar prime rate (2010: Hong Kong dollar prime rate) per annum and Hong Kong Interbank Offered Rate plus 0.5% (2010: Hong Kong Interbank Offered Rate plus 0.5%) per annum, respectively. The balances are not expected to be recovered within one year and are neither past due nor impaired.

Details of the principal jointly controlled entities at 31 December 2011 are set out on page 241.

Summary financial information on jointly controlled entities – Group's effective interest:

	2011 HK$ million	2010 HK$ million
Non-current assets	**27,731**	24,922
Current assets	**4,340**	3,804
Non-current liabilities	**(9,221)**	(8,970)
Current liabilities	**(4,094)**	(3,330)
Net assets	**18,756**	16,426

	2011 HK$ million	2010 HK$ million
Income	**4,105**	6,488
Expenses	**(1,181)**	(3,572)
Profit for the year	**2,924**	2,916

22 Derivative financial instruments

	The Group			
	2011		2010	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts	**620**	**692**	482	641
Interest rate swap contracts (note 4(c)(i))	**–**	**1,203**	270	–
	620	**1,895**	752	641

Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes (see note 31) denominated in United States dollars and Pound Sterling with aggregate principal amounts of US$835 million and £50 million at 31 December 2011 (2010: US$825 million and £50 million) and bank loans denominated in United States dollars with an aggregate amount of US$148 million at 31 December 2011 (2010: US$148 million); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate amount of HK$13,000 million at 31 December 2011 (2010: HK$7,100 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to the guaranteed notes and bank loans. They will mature between 18 September 2013 and 20 October 2026 (2010: 18 September 2013 and 22 July 2025).

23 Other financial assets

	The Group	
	2011 HK$ million	2010 HK$ million
Available-for-sale equity securities		
Unlisted	**377**	203
Listed (note 4(f)(i)):		
– in Hong Kong	**1,973**	2,457
– outside Hong Kong	**48**	120
	2,398	2,780
Instalments receivable	**1,177**	655
Long term receivable	**42**	54
	3,617	3,489
Market value of listed securities	**2,021**	2,577

(a) Available-for-sale equity securities

At 31 December 2011, the fair value of available-for-sale equity securities which individually remained impaired amounted to HK$1 million (2010: HK$1 million). These securities were determined to be impaired on the basis of significant or prolonged decline in their fair value below cost.

(b) Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after one year from the balance sheet date. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the balance sheet date is included in "Trade and other receivables" under current assets (see note 26).

(c) Long term receivable

Long term receivable represents the non-current portion of the discounted value of the instalments receivable in the future arising from the disposal of toll collection right of certain toll bridges. The current portion of HK$40 million (2010: HK$63 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 26).

24 Deposits for acquisition of properties

Deposits for acquisition of properties mainly include HK$6,585 million (2010: HK$5,321 million) and HK$561 million (2010: HK$561 million) paid for the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

25 Inventories

	The Group	
	2011 HK$ million	2010 HK$ million
Property development		
Leasehold land held for development for sale	**9,450**	8,986
Properties held for/under development for sale	**50,765**	38,457
Completed properties for sale	**7,882**	13,182
	68,097	60,625
Other operations		
Trading stocks	**107**	92
	68,204	60,717

The analysis of carrying value of inventories for property development is as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
In Hong Kong		
– under long leases	**13,464**	12,035
– under medium-term leases	**35,644**	33,481
	49,108	45,516
In mainland China		
– under long leases	**11,794**	9,246
– under medium-term leases	**7,195**	5,863
	18,989	15,109
	68,097	60,625
Including:		
– Properties expected to be completed after more than one year	**34,951**	36,645

26 Trade and other receivables

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Instalments receivable (note 23)	**1,300**	1,256	**–**	–
Debtors, prepayments and deposits	**2,961**	3,052	**29**	28
Gross amount due from customers for contract work (note 27)	**54**	17	**–**	–
Amounts due from associates	**165**	139	**–**	–
Amounts due from jointly controlled entities	**15**	33	**–**	–
	4,495	4,497	**29**	28

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits and other receivables of HK$488 million (2010: HK$458 million) which are expected to be recovered after more than one year.

The amounts due from associates and jointly controlled entities are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Current or under 1 month overdue	**1,438**	1,567	**–**	–
More than 1 month overdue and up to 3 months overdue	**209**	66	**–**	–
More than 3 months overdue and up to 6 months overdue	**9**	26	**–**	–
More than 6 months overdue	**104**	65	**–**	–
	1,760	1,724	**–**	–

(b) The Group's credit policy is set out in note 4(a).

26 Trade and other receivables (continued)

(c) Impairment of trade debtors

The movement in the allowance for doubtful debts during the year is as follows:

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
At 1 January	**151**	213	**–**	–
Exchange differences	**3**	1	**–**	–
Impairment loss recognised/(reversed) (notes 7 and 16(c))	**1**	(59)	**–**	–
Uncollectible amounts written off	**(91)**	(4)	**–**	–
At 31 December	**64**	151	**–**	–

The individually impaired receivables related to customers who were in financial difficulties and the management assessed that only a portion of these receivables are expected to be recoverable. Accordingly, the Group has made impairment losses during the year in relation to the amounts which are considered to be irrecoverable.

(d) Trade debtors that are not impaired

At 31 December 2011, 96% (2010: 90%) of the Group's trade debtors was not impaired, of which 94% (2010: 94%) was not past due or less than 3 months past due.

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

27 Gross amount due from/(to) customers for contract work

	The Group	
	2011 HK$ million	2010 HK$ million
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**182**	51
Progress billings	**(131)**	(35)
Net contract work	**51**	16
Represented by:		
Gross amount due from customers for contract work (note 26)	**54**	17
Gross amount due to customers for contract work (note 29)	**(3)**	(1)
	51	16

28 Cash and cash equivalents

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Deposits with banks and other financial institutions	**14,124**	3,811	**–**	–
Cash at bank and in hand	**4,726**	5,986	**1**	1
Cash and cash equivalents in the balance sheets	**18,850**	9,797	**1**	1
Bank overdrafts (note 30)	**(47)**	(45)		
Cash and cash equivalents in the consolidated cash flow statement	**18,803**	9,752		

29 Trade and other payables

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Creditors and accrued expenses	**4,195**	4,271	**52**	14
Gross amount due to customers for contract work (note 27)	**3**	1	**–**	–
Rental and other deposits	**1,078**	908	**–**	–
Forward sales deposits received	**3,585**	410	**–**	–
Amounts due to subsidiaries (note 19)	**–**	–	**16,509**	14,871
Amounts due to associates	**100**	107	**21**	30
Amounts due to jointly controlled entities	**69**	115	**7**	14
	9,030	5,812	**16,589**	14,929

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$615 million (2010: HK$563 million) which is expected to be settled after more than one year.

(b) All of the Company's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$16,509 million (2010: HK$14,871 million) which is expected to be settled after more than one year (see note 19).

(c) Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Due within 1 month or on demand	**1,067**	859	**–**	–
Due after 1 month but within 3 months	**503**	406	**–**	–
Due after 3 months but within 6 months	**149**	394	**–**	–
Due after 6 months	**1,214**	1,067	**–**	–
	2,933	2,726	**–**	–

(d) The amounts due to associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

30 Bank loans and overdrafts

At 31 December 2011, bank loans and overdrafts were repayable as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Within 1 year and included in current liabilities	**19,699**	7,516
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**3,225**	16,407
– After 2 years but within 5 years	**11,444**	8,786
– After 5 years	**1,912**	1,939
	16,581	27,132
	36,280	34,648

At 31 December 2011, the entire amounts of bank loans and overdrafts were unsecured and analysed as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Bank loans	**36,233**	34,603
Bank overdrafts (note 28)	**47**	45
	36,280	34,648

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. At 31 December 2011 and 2010, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	The Group	
	2011 **HK$ million**	2010 HK$ million
Guaranteed notes due 2014-2022	**3,127**	3,128
Guaranteed notes due 2019	**3,860**	3,863
Guaranteed notes issued pursuant to the Medium Term Note Programme	**3,890**	–
	10,877	6,991

At 31 December 2011, the guaranteed notes were repayable as follows:

	The Group	
	2011 **HK$ million**	2010 HK$ million
After 2 years but within 5 years	**2,459**	1,268
After 5 years	**8,418**	5,723
	10,877	6,991

(a) Guaranteed notes due 2014 – 2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe. The 2007 Notes with principal amounts of US$315 million and £50 million bear fixed interest rates ranging from 6.06% to 6.38% per annum payable semi-annually in arrears and the remaining 2007 Notes with principal amount of US$10 million bear floating rate by reference to 3-month London Interbank Offered Rate payable quarterly in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2014 and 25 July 2022.

(b) Guaranteed notes due 2019

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the "2009 Notes") with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear fixed interest rate at 5.50% per annum payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

31 Guaranteed notes (continued)

(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "Programme")

The Group established the Programme on 30 August 2011. Pursuant to the Programme, the Group issued the following guaranteed notes during the year which remained outstanding at 31 December 2011:

(i) On 19 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear fixed coupon rate of 4.00% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 19 September 2018.

(ii) On 23 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$220 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 23 September 2021.

(iii) On 26 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$656 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 27 September 2021.

(iv) On 20 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$10 million. These notes bear a fixed coupon rate of 5.20% per annum payable annually in arrears, are guaranteed by the Company and will mature on 20 October 2026.

(v) On 28 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$250 million. These notes bear a fixed coupon rate of 4.03% per annum payable annually in arrears, are guaranteed by the Company and will mature on 28 October 2021.

(vi) On 10 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$309 million. These notes bear a fixed coupon rate of 4.80% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 10 November 2031.

(vii) On 11 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.865% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 11 November 2016.

32 Amount due to a fellow subsidiary

The amount due to a fellow subsidiary is unsecured, interest-bearing and has no fixed terms of repayment. The balance is not expected to be settled within one year.

33 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Retained profits HK$ million	Total equity HK$ million
At 1 January 2010		4,294	29,782	20	67,251	101,347
Profit and total comprehensive income for the year	12	–	–	–	3,235	3,235
Dividend approved in respect of the previous financial period	13(b)	–	–	–	(1,503)	(1,503)
Dividend declared and paid in respect of the current year	13(a)	–	–	–	(650)	(650)
Shares issued in respect of scrip dividends and warrants	33(b)	58	1,345	–	–	1,403
At 31 December 2010		4,352	31,127	20	68,333	103,832
At 1 January 2011		**4,352**	**31,127**	**20**	**68,333**	**103,832**
Profit and total comprehensive income for the year	12	**–**	**–**	**–**	**2,583**	**2,583**
Dividend approved in respect of the previous financial year	13(b)	**–**	**–**	**–**	**(1,644)**	**(1,644)**
Dividend declared and paid in respect of the current year	13(a)	**–**	**–**	**–**	**(711)**	**(711)**
Shares issued in respect of scrip dividends and warrants	33(b)	**386**	**10,680**	**–**	**–**	**11,066**
At 31 December 2011		**4,738**	**41,807**	**20**	**68,561**	**115,126**

33 Capital and reserves (continued)

(b) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2011	2010	**2011**	2010
	million	million	**HK$ million**	HK$ million
Ordinary shares of HK$2 each (each being a "Share")				
Authorised:				
At 1 January	**5,000**	2,600	**10,000**	5,200
Increase in authorised share capital	**–**	2,400	**–**	4,800
At 31 December	**5,000**	5,000	**10,000**	10,000
Issued and fully paid:				
At 1 January	**2,176**	2,147	**4,352**	4,294
Shares issued in respect of scrip dividends and warrants	**193**	29	**386**	58
At 31 December	**2,369**	2,176	**4,738**	4,352

(i) *Increase in authorised share capital*

Pursuant to an ordinary resolution passed at the annual general meeting held on 1 June 2010, the Company's authorised share capital was increased from HK$5,200 million to HK$10,000 million by the creation of an additional 2,400 million Shares in the Company during the year ended 31 December 2010.

(ii) *Shares issued in respect of scrip dividends*

On 10 June 2011, the Company issued and allotted 19,795,415 Shares at an issue price of HK$51.99 per share in respect of the final dividend for the year ended 31 December 2010 under the scrip dividend scheme. The 19,795,415 Shares issued rank pari passu in all respects with the then existing Shares.

On 20 October 2011, the Company issued and allotted 249,670 Shares at an issue price of HK$41.80 per share in respect of the interim dividend for the six months ended 30 June 2011 under the scrip dividend scheme. The 249,670 Shares issued rank pari passu in all respects with the then existing Shares.

As a result, during the year ended 31 December 2011, the Company's share capital and share premium were in aggregate increased by approximately HK$40 million (2010: HK$58 million) and HK$1,000 million (2010: HK$1,340 million), respectively.

33 Capital and reserves (continued)

(b) Share capital (continued)

(iii) Bonus issue and exercise of warrants

On 30 March 2010, the Board announced the proposed bonus issue of warrants ("Warrants") by the Company to the shareholders on the basis of one Warrant for every five Shares held on 23 April 2010, which was approved by the shareholders at the extraordinary general meeting of the Company held on 1 June 2010. 429,348,478 units of Warrants were issued on 2 June 2010.

Each Warrant entitles the holder thereof to subscribe one Share at an initial subscription price of HK$58 (subject to adjustment), and is exercisable at any time during the period of one year commencing from 2 June 2010 up to 1 June 2011 (both days inclusive).

During the period from 1 January 2011 to 1 June 2011, 172,870,014 units of Warrants (Period from 2 June 2010 to 31 December 2010: 91,947 units of Warrants) had been exercised by the holders thereof. This includes an aggregate of 172,414,000 units of Warrants held by Henderson Development Limited, being the parent and ultimate controlling party of the Group, which were exercised at the subscription price of HK$58 per share on 12 April 2011.

As a result, during the year ended 31 December 2011, the Company issued and allotted 172,870,014 Shares (2010: 91,947 Shares) and the Group realised cash proceeds of approximately HK$10,026 million (net of expenses) (2010: HK$5 million (net of expenses)), and the Company's share capital and share premium were in aggregate increased by approximately HK$346 million (2010: HK$183,894) and HK$9,680 million (2010: HK$5 million), respectively. The subscription rights attaching to the remaining unexercised units of Warrants lapsed after the close of business on 1 June 2011.

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of share premium and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(g).

33 Capital and reserves (continued)

(c) Nature and purpose of reserves (continued)

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in The People's Republic of China ("PRC") applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

(d) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$68,561 million (2010: HK$68,333 million). After the balance sheet date, the directors proposed a final dividend of HK$0.7 (2010: HK$0.7) per ordinary share, amounting to HK$1,658 million (2010: HK$1,644 million) (see note 13). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary ("Total debt") less cash and cash equivalents) and shareholders' funds of the Group at the balance sheet date.

During the year, the Group's strategy was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

33 Capital and reserves (continued)

(e) Capital management (continued)

The Group's gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 HK$ million	2010 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**19,699**	7,516
– After 1 year but within 2 years	**3,225**	16,407
– After 2 years but within 5 years	**13,903**	10,054
– After 5 years	**10,330**	7,662
Amount due to a fellow subsidiary	**8,583**	12,976
Total debt	**55,740**	54,615
Less: Cash and cash equivalents	**18,850**	9,797
Net debt	**36,890**	44,818
Shareholders' funds	**185,336**	159,038
Gearing ratio (%)	**19.9%**	28.2%

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements during the year and at 31 December 2011.

34 Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

On 15 September 2011, the Group acquired the issued share capitals and the shareholders' loans of 24 companies from (i) Henderson Development Limited, the parent and ultimate controlling party of the Group; (ii) Jetwin International Limited and Shau Kee Financial Enterprises Limited, which are controlled by a private trust of the family of Dr the Hon. Lee Shau Kee ("Dr Lee"), the chairman of the Board of Directors of the Company; and (iii) Madam Lee Wun Yiu, the sister of Dr Lee. These 24 companies hold various property interests in Hong Kong and the Group paid an aggregate cash consideration of HK$796 million for the acquisition, which was completed on 15 September 2011.

The fair value of assets acquired and liabilities assumed were as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Fixed assets	**164**	757
Inventories	**469**	988
Deposits for acquisition of properties	**–**	19
Amount due from a fellow subsidiary	**–**	51
Amount due to a fellow subsidiary	**39**	–
Debtors, prepayments and deposits	**3**	39
Instalments receivable	**2**	–
Cash and cash equivalents	**6**	14
Creditors and accrued expenses	**(3)**	(11)
Rental and other deposits	**(2)**	–
Amounts due to shareholders	**–**	(713)
Current taxation	**(4)**	–
Deferred tax liabilities	**(58)**	(127)
Non-controlling interests	**179**	–
Net assets	**795**	1,017
Share of net assets immediately before the acquisition	**–**	(140)
Gain on disposal of an associate (note 7)	**–**	(37)
Excess of interest in fair value of the acquirees' identifiable assets over cost of business combination (note 7)	**–**	(22)
Total consideration	**795**	818

34 Acquisition and disposal of subsidiaries (continued)

(a) Acquisition of subsidiaries (continued)

	The Group	
	2011 HK$ million	2010 HK$ million
Representing:		
Cash consideration paid	**796**	758
Amount due to a fellow subsidiary	**(1)**	–
Debtors, prepayments and deposits	**–**	60
	795	818
Net cash outflow in respect of the acquisitions:		
Cash consideration paid	**(796)**	(758)
Cash and cash equivalents acquired	**6**	14
	(790)	(744)

(b) Disposal of subsidiaries

The Group disposed of certain subsidiaries during the year ended 31 December 2010. The disposals had the following effect on the Group's assets and liabilities:

	The Group 2010 HK$ million
Fixed assets	6
Toll highway operation right	177
Interest in jointly controlled entities	309
Debtors, prepayments and deposits	129
Cash and cash equivalents	13
Bank loans	(22)
Creditors and accrual expenses	(27)
Deferred tax liabilities	(36)
Net assets	549
Non-controlling interests	(54)
Disposal of net assets attributable to the Group	495
Release of exchange reserve	(21)
Professional charges	1
Net gain on disposal (note 7(i))	1,203
Total consideration	1,678

34 Acquisition and disposal of subsidiaries (continued)

(b) Disposal of subsidiaries (continued)

	The Group 2010 HK$ million
Representing:	
Cash consideration received	139
Cash consideration receivable included in debtors, prepayments and deposits	3
Available-for-sale equity securities	1,536
	1,678
Net cash inflow in respect of the disposal:	
Cash consideration received	139
Cash and cash equivalents disposed of	(13)
Professional charges	(1)
	125

35 Capital commitments

At 31 December 2011, the Group had capital commitments not provided for in these accounts as follows:

		The Group	
		2011 HK$ million	2010 HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**9,472**	8,847
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**27,929**	27,185
		37,401	36,032
(b)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings undertaken by jointly controlled entities attributable to the Group	**832**	278

36 Significant leasing arrangements

At 31 December 2011, the Group is both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 17.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Within 1 year	**3,207**	2,632
After 1 year but within 5 years	**3,358**	3,113
After 5 years	**617**	612
	7,182	6,357

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are re-negotiated.

During the year, HK$143 million (2010: HK$85 million) was recognised as an expense in the consolidated income statement in respect of leasing of building facilities.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Within 1 year	**143**	53
After 1 year but within 5 years	**103**	42
	246	95

37 Contingent liabilities

At 31 December 2011, contingent liabilities of the Group and of the Company were as follows:

	The Group		The Company	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
(a) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	**–**	–	**35,508**	32,852
(b) Guarantees given by the Company to the holders of guaranteed notes issued by subsidiaries	**–**	–	**10,877**	6,991
	–	–	**46,385**	39,843

(c) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before the Completion. At 31 December 2011, the Group had contingent liabilities in this connection of HK$8 million (2010: HK$8 million).

(d) At 31 December 2011, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the subsidiaries' obligations amounting to HK$37 million (2010: HK$22 million).

(e) During the year ended 31 December 2010, a subsidiary of the Company in mainland China was subject to an audit by the tax authority regarding its tax assessment for the year ended 31 December 2008. The tax assessment related to the deductibility of certain expenses and, should they not be deductible, the Group would be subject to an additional tax liability in the amount of HK$35 million.

On 8 March 2012, the Group received the final tax assessment from the tax authority. As the final amount of tax liability had been adequately provided for in the Group's consolidated accounts for the year ended 31 December 2011, the Group did not have any contingent liability in this regard at 31 December 2011.

38 Material related party transactions

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Sale commission income (note (iii))	**13**	4
Administration fee income (note (ii))	**6**	–
Other interest expense (note (i))	**87**	21

(b) Transactions with associates and jointly controlled entities

Details of material related party transactions during the year between the Group and its associates and jointly controlled entities are as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Venue fee income (note (ii))	**1**	3
Other interest income (note (i))	**4**	6
Construction income (note (ii))	**2**	11
Security guard service fee income (note (iii))	**14**	14
Management fee income (note (iii))	**9**	8
Professional fee income (note (iii))	**–**	2
Sales commission income (note (iii))	**1**	5
Rental expenses (note (iii))	**122**	71

(c) Transactions with related companies

Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Group are as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Venue-related income (note (ii))	**11**	3
Rental income (note (iii))	**6**	–
Administration fee income (note (ii))	**–**	6

38 Material related party transactions (continued)

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate or prime rate.

(ii) These transactions represent cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amount due to a fellow subsidiary at 31 December 2011 and 2010 is referred to in the Group's consolidated balance sheet at 31 December 2011 and 2010, and the terms of which are set out in note 32. The amounts due from/to associates and jointly controlled entities at 31 December 2011 and 2010 are set out in notes 20, 21, 26 and 29.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	The Group	
	2011 HK$ million	2010 HK$ million
Rental expenses	**8**	7
Property and leasing management service fee income and other ancillary property service fee income	**37**	35
Asset management service fee income	**65**	57
Security service fee income	**3**	4

The above transactions are conducted in accordance with the terms of respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2011, the amount due from Sunlight REIT amounted to HK$24 million (2010: HK$24 million) is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 26).

38 Material related party transactions (continued)

(e) Transactions with a company owned by a director of the Company

Mr Lee Ka Kit, a director of the Company, through a company owned by him (the “entity”) had separate interest in an associate of the Group and through which the Group held its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 31 December 2011, the advance by the entity to the abovementioned associate amounted to HK$102 million (2010: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Transactions with the Group’s ultimate controlling party, certain related companies and a related party

Details of the material related party transactions during the year between the Group and (i) its ultimate controlling party; (ii) certain related parties which are controlled by a private trust of the family of Dr Lee; and (iii) a related party, are set out in note 34(a).

(g) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

39 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 13.

40 Parent and ultimate controlling party

At 31 December 2011, the directors consider that the parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce accounts available for public use.

Principal Subsidiaries

at 31 December 2011

Details of principal subsidiaries are as follows:

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(a) Property development					
(i) Incorporated and operates in Hong Kong					
Bright Gold Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Campbellton Development Limited	I	2	1	–	100
Gain Glory Development Limited	I	10,000	1	–	100
Gainbo Limited	I	2	1	–	100
Gentway Limited	I	1	1	–	100
Harvest Development Limited		840	1	–	82.86
Intelligent House Limited	I	2	1	–	100
Karmax Development Limited		2	1	–	100
Landrich Development Limited	I	1,000	1	–	100
Nation Sheen Limited	I	2	1	–	100
New Cheer Development Limited	I	1,000	1	–	100
Onfine Development Limited	I	2	1	–	100
Rich Silver Development Limited		2	1	–	100
Rightlane Investment Limited		2	1	100	–
Saxophon Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		3,000,000	1	–	100
Toplus Investment Limited	I	1,000	1	100	–
Victory Faith Investment Limited		4	1	–	100
Wealth Team Development Limited	I	1,000	1	–	90.10
Widetrend Development Limited		10,000	1	100	–

	Issued/ contributed registered capital	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(ii) Established and operates in mainland China				
Sino-Foreign Co-operative Joint Venture Enterprise				
Beijing Gaoyi Property Development Co., Ltd.	US$81,000,000	–	100	100
Beijing Henderson Properties Co., Ltd.	RMB655,000,000	–	100	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(b) Property investment					
Incorporated and operates in Hong Kong					
Bloomark Investment Limited	I	2	1	–	100
Carry Express Investment Limited	I	10,000	10	–	100
Deland Investment Limited	I	2	100	100	–
Easewin Development Limited		2	1	–	100
Evercot Enterprise Company, Limited	I				
– A Shares		500	100	100	–
– B Shares		2	100	–	–
Join Fortune Development Limited	I				
– A Shares		100	1	100	–
– B Shares		2	1	–	–
Millap Limited	I	2	1	100	–
Shung King Development Company Limited	I				
– Ordinary A Shares		2	1	100	–
– B Shares		2	1	–	–
– Non-voting deferred A shares		20,000	100	100	–
Union Fortune Development Limited	I	10,000	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(c) Finance					
(i) Incorporated and operates in Hong Kong					
Henderson (China) Finance Limited	I	10,000	1	–	100
Henderson International Finance Limited		250,000	100	100	–
Henderson Land Credit (2009) Limited	I	1	1	100	–
Henderson Land Credit (2010) Limited	I	1	1	–	100
Henland Finance Limited	I	1,000,000	1	–	100
Post East Finance Company Limited		2	1	–	100
Rich Chase Development Limited	I	2	1	–	100
Success Crown Development Limited		2	1	–	100
(ii) Incorporated and operates in the British Virgin Islands					
Henderson Land MTN Limited	I	1	–	–	100
Henson Finance Limited	I	1	US$1	–	100
St. Helena Holdings Co. Limited		3	US$1	–	100
(iii) Incorporated in Singapore and operates in Hong Kong					
Henderson Land MTN (S) Pte. Limited	I	1	–	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(d) Construction					
Incorporated and operates in Hong Kong					
E Man Construction Company Limited		350,000	100	100	–
Ginca Construction Machinery Limited		1	1	–	100
Heng Lai Construction Company Limited		2	1	–	100
Heng Shung Construction Company Limited		2	1	–	100
Heng Tat Construction Company Limited		2	100	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(e) Property management					
Incorporated and operates in Hong Kong					
Beverly Hill (Estate Management) Limited		2	1	–	100
Flora Plaza Management Limited		10	1	–	60
Goodwill Management Limited		2	1	–	100
Hang On Estate Management Limited		2	1	–	100
Hang Yick Properties Management Limited		100,000	100	100	–
Henderson Sunlight Asset Management Limited	I	38,800,000	1	–	100
Henderson Sunlight Property Management Limited	I	1	1	–	100
Metro City Management Limited		2	1	–	100
Metro Harbourview Management Limited		2	1	–	100
Star Management Limited		2	1	–	100
Sunshine City Property Management Limited		2	1	–	100
Well Born Real Estate Management Limited		2	1	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding					
(i) Incorporated and operates in Hong Kong					
Banshing Investment Limited		2	1	–	100
China Investment Group Limited		300,000	1,000	–	100
Citiright Development Limited		2	1	100	–
Covite Investment Limited		2	1	–	100
Darnman Investment Limited		2	1	–	100
Disralei Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		1,000	1	–	100
Fondoll Investment Limited		2	100	100	–
Gainwise Investment Limited		2	1	–	100
Graf Investment Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Henderson Investment Limited		3,047,327,395	0.20	–	67.94
Macrostar Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Main Champion Development Limited	I	2	1	100	–
Markshing Investment Limited		2	1	–	100
Medley Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Mightymark Investment Limited		2	1	100	–
Mount Sherpa Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	10	–	100
Paillard Investment Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Tactwin Development Limited	I	1,000	1	100	–
Wellfine Development Limited		55	1	100	–
Wiselin Investment Limited	I	2	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding (continued)					
(ii) Incorporated in Hong Kong and operates in mainland China					
Hang Seng Quarry Company Limited	I	10,000	1	64	–
(iii) Incorporated and operates in the British Virgin Islands					
Cobase Limited	I	1	–	–	100
Comax Investment Limited		1	–	–	100
Multiglade Holdings Limited	I	1	US$1	–	100
Richful Resources Limited	I	1	–	–	100
Starland International Limited	I	1	US$1	100	–
Sunnice Investment Limited		1	–	–	100
Threadwell Limited	I	1	US$1	–	100
(iv) Incorporated in the British Virgin Islands and operates in Hong Kong					
Higgins Holdings Limited	I	1	US$1	–	100
Hinlon Limited		1	US$1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(g) Department store operations					
Incorporated and operates in Hong Kong					
Citistore (Hong Kong) Limited	I	1	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(h) Hotel and service apartment management and operations					
Incorporated and operates in Hong Kong					
Henderson Hotel Management Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Newton Hotel Hong Kong Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Newton Inn (North Point) Limited	I	2	1	100	–
Newton Place Hotel Limited	I	1	1	–	100

Principal Subsidiaries

at 31 December 2011

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(i) Management and agency services					
Incorporated and operates in Hong Kong					
Henderson Property Agency Limited		200,000	1	–	100
Henderson Real Estate Agency Limited	I	2	100	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(j) Professional services and others					
Incorporated and operates in Hong Kong					
Megastrength Security Services Company Limited	I				
– Ordinary shares		10,000	1	–	100
– Non-cumulative preference shares		400	1	–	100
Standard Win Limited	I	1	1	–	100

	Note	Issued/ contributed registered capital	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(k) Infrastructure					
Established and operates in mainland China					
Sino-Foreign Equity Joint Venture Enterprise					
Hangzhou Henderson Qianjiang Third Bridge Company, Limited		RMB200,000,000	–	60	60
Sino-Foreign Co-operative Joint Venture Enterprise					
Tianjin Jinning Roads Bridges Construction Development Company Limited	II	RMB23,680,000	–	70	70

Notes:

I *Companies audited by KPMG.*

II *The Group can exercise control over this subsidiary.*

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Associates

at 31 December 2011

Details of principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Listed			
The Hong Kong and China Gas Company Limited	–	39.88	Production, distribution and marketing of gas, water and energy related activities
Hong Kong Ferry (Holdings) Company Limited	–	31.36	Property development and investment
Miramar Hotel and Investment Company, Limited	–	44.21	Hotel operation
Unlisted			
Star Play Development Limited	–	33.33	Property investment

The above list gives the principal associates of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Jointly Controlled Entities

at 31 December 2011

Details of principal jointly controlled entities, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Billion Ventures Limited (incorporated and operates in the British Virgin Islands)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated and operates in the British Virgin Islands)	–	34.21	Investment holding
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Teamfield Property Limited	–	49.18	Property development

The above list gives the principal jointly controlled entities of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Corporate Information

Board of Directors

Executive Directors

Dr the Hon. Lee Shau Kee, *GBM*
(Chairman and Managing Director)
Lee Ka Kit *(Vice Chairman)*
Lam Ko Yin, Colin *(Vice Chairman)*
Lee Ka Shing *(Vice Chairman)*
Yip Ying Chee, John
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Lau Yum Chuen, Eddie
Li Ning
Kwok Ping Ho, Patrick
Wong Ho Ming, Augustine

Non-executive Directors

Au Siu Kee, Alexander
Leung Hay Man
Lee Pui Ling, Angelina
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson

Audit Committee

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong
Dr the Hon. Lee Shau Kee, *GBM*
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

Nomination Committee

Dr the Hon. Lee Shau Kee, *GBM*
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : http://www.hld.com
E-Mail : henderson@hld.com

Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an
American Depositary Receipt Level 1 Programme
(Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

Authorised Representatives

Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

KPMG

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Standard Chartered Bank

Group Executives

Lee Shau Kee
GBM, DBA (Hon), DSSc (Hon), LLD (Hon)
General Manager

Lee Ka Kit
JP
Deputy General Manager

Lam Ko Yin, Colin
FCILT, FHKIoD
Deputy General Manager

Lee Ka Shing
Deputy General Manager

Yip Ying Chee, John
LLB, FCIS
Assistant General Manager

Departmental Executives

Group Business Development Department

Yip Ying Chee, John
LLB, FCIS
Executive Director

Project Management (1) Department

David Francis Dumigan
BSc, C Eng, FICE, FHKIE, RPE
General Manager

Project Management (2) Department

Kwok Man Cheung, Victor
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorized Person (Architect), Registered Architect (HK)
PRC Class 1 Registered Architect Qualification
General Manager

Siu Sing Yeung, Tony
B. Arch (Hons), HKIA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department

Wong Ho Ming, Augustine
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
Executive Director

Leung Shu Ki, Shuki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT, MCIArb, AHKIArb
Deputy General Manager

Property Planning Department

Leung Kam Leung
MSc, PGDMS, FHKIS, FRICS, RPS (GP)
General Manager

Construction Department

Wong Wing Hoo, Billy
JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Engineering Department

Cheng Yuk Lun, Stephen
BSc (Eng), C Eng, MICE, MIStructE, MHKIE,
RPE, AP, RSE, RGE, 1RSE-PRC
General Manager

Building Quality Planning Department

Lam Sik Kong, Eddy
General Manager

Sales Department

Lam Tat Man, Thomas
MEM(UTS), DMS, EHKIM, MHIREA,
CHINA GBL MANAGER
General Manager

Portfolio Leasing Department

Lee Pui Man, Margaret
BHum (Hons)
Senior General Manager

Sit Pak Wing, Patrick
ACIS, FHIREA
General Manager

Property Management Department
Suen Kwok Lam
JP, MH, FHIREA
Executive Director

Retail and Hotel Management Department
Li Ning
BSc, MBA
Executive Director

Comm. & Ind. Properties Department
Ng Ngok Kwan
General Manager

General Manager Department
Wong Kim Wing, Ball
BA(AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
Group Consultant

Ngai Tung Hai, Karsky
FRICS, MHKIS, AACI
Manager

Finance Department
Lau Yum Chuen, Eddie
Executive Director

Lee King Yue
Executive Director

Kwok Ping Ho, Patrick
BSc, MSc, Post-Graduate Diploma in Surveying, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Treasurer

Human Resources Department
Lam Ko Yin, Colin
FCILT, FHKIoD
Executive Director

Wong Ying Kin, Frankie
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Liu Cheung Yuen, Timon
BEc, FCPA, CA (Aust), FCS, FCIS
General Manager

Accounts Department
Wong Wing Kee, Christopher
BSc (Econ), ACA
General Manager

Audit Department
Choi Kam Fai, Thomas
B Comm, CMA
General Manager

Information Technology Department
Au Tit Ying
BSc, Grad Dip Com (IS)
General Manager

Corporate Communications Department
Ngan Suet Fong, Bonnie
BBA
General Manager

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 11 June 2012 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditor for the year ended 31 December 2011.

2. To declare a Final Dividend.

3. To (a) re-elect retiring Directors and (b) approve the revised director's fee fixed at the rate of HK$100,000 per annum for each Executive Director/Non-executive Director, HK$200,000 per annum for each Independent Non-executive Director and in case of each Independent Non-executive Director acting as member of (i) the Nomination Committee an additional remuneration at the rate of HK$50,000 per annum and (ii) the Corporate Governance Committee (if any) an additional remuneration at the rate of HK$100,000 per annum (or such amount which is in proportion to the time during the period for which he/she has held office) with effect from 1 July 2012 until the Company in general meeting otherwise determines.

4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

   (A) **"THAT:**

   (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase ordinary shares of HK$2.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(B) **"THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as hereinafter defined), warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate nominal amount of the share capital of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the capital of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(C) **"THAT:**

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 20 April 2012

Registered Office:
72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.

(2) A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and on a poll, to vote instead of him. A proxy need not be a member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

(3) For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Thursday, 7 June 2012 to Monday, 11 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 6 June 2012.

(4) For the purpose of determining Shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Friday, 15 June 2012 to Monday, 18 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14 June, 2012. The proposed final dividend will be paid to Shareholders whose names appear on the Register of Members of the Company on Monday, 18 June 2012.

(5) The proposed increases in directors' fees as referred to in Ordinary Resolution (b) of item 3 above are recommended by the Remuneration Committee and the board of Directors. Except for the proposed changes, all existing fees payable only to Independent Non-executive Directors/Non-executive Directors for serving on the relevant committees shall remain intact.

(6) An explanatory statement containing further details concerning Ordinary Resolution (A) of item 5 above and a circular containing the proposed scrip dividend scheme will be sent to members for perusal.

(7) Concerning Ordinary Resolutions (B) and (C) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Section 57B of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the issued share capital plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.

Financial Calendar

Interim Results	Announced on Thursday, 25 August 2011
Final Results	Announced on Wednesday, 21 March 2012
Annual Report	Posted to Shareholders on Friday, 20 April 2012
Book Close	(1) Register of Members To be closed from Thursday, 7 June 2012 to Monday, 11 June 2012, for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting (2) Register of Members To be closed from Friday, 15 June 2012 to Monday, 18 June 2012, for the purpose of determining Shareholders who qualify for the proposed final dividend (with an option for scrip dividend)
Annual General Meeting	To be held on Monday, 11 June 2012
Dividends – Interim	HK$0.30 per share – paid on Thursday, 20 October 2011
– Final (Proposed)	HK$0.70 per share (with an option for scrip dividend) – payable on Thursday, 19 July 2012

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

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