INVESTING
IN THE FUTURE

ANNUAL REPORT 2011

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED
Stock code : 71

About Miramar

Based in Hong Kong, Miramar Hotel and Investment Company, Limited (Miramar Group) was established in 1957 and has been listed on the Hong Kong Stock Exchange since 1970 (HKEx Stock Code: 71). Miramar Group is a member of Henderson Land Group, and builds a diversified business portfolio to include hotels and serviced apartments, property investment, food and beverage, retail and travel services in Hong Kong, mainland China and the United States.

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Milestones

2011

The Group launched Hide-Chan Ramen, Assaggio Trattoria Italiana and Saboten Japanese Cutlet during the first half of the year. Tsui Hang Village in both Central and Tsimshatsui also unveiled new contemporary looks having been revamped in May and July. In September, the first Cuisine Cuisine in the Mainland was launched, bringing Michelin-starred Cantonese cuisine to Greater China.

The Group has also expanded into the retail sector, has operated and established franchisee outlets in the major cities of Mainland China.

2010

The iconic Yunyan Sichuan Restaurant reopened with a new image in June. The shopping centre at The Mira also underwent renovations as part of brand revitalisation, whilst renovation was completed for Miramar Shopping Centre.

2006

Miramar Travel is incorporated and the interior refurbishment of the Miramar Shopping Centre is completed. Mr. Lee Ka Shing is appointed Managing Director by the Board of Directors.

2008/09

Hotel Miramar, after extensive renovations, is re-branded The Mira Hong Kong, an upscale, design-driven, lifestyle urban retreat for business and leisure travellers.

1993

Henderson Land Group becomes the Group's major shareholder.

1988

Three old hotel buildings are demolished and on its site, the Miramar Shopping Centre and Miramar Tower are developed.

1986

Miramar Express is incorporated.

1983

The Group expands into the China market, taking a 25 per cent stake in the first five-star hotel in Shekou.

1978

Hotel Miramar expands its capacity to 1,330 rooms, including a 26,000 square-foot penthouse. It is the biggest hotel in Hong Kong and Southeast Asia.

1973

Tsui Hang Village Restaurant begins operating.

1970

Miramar Hotel and Investment Company, Limited is listed on the Hong Kong Stock Exchange.

1966

Hotel Miramar becomes the first hotel in Hong Kong to join an international hotel network.

1957

Miramar Hotel and Investment Company, Limited is established after its leaders, Dr. Ho Sien Heng and Mr. Young Chi Wan, purchase the 192-room Hotel Miramar Hong Kong from a Spanish mission.

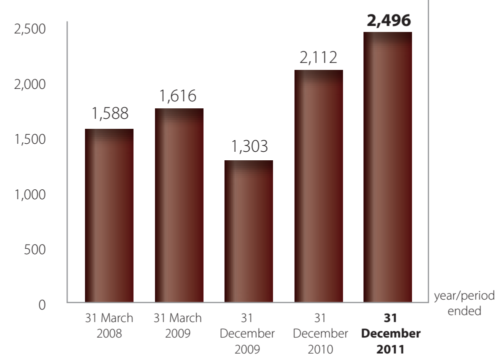
Financial Highlights

	For the year ended 31 December	
	2011 HK$'million	2010 HK$'million
Turnover		
Property investment	**566**	494
Property development and sales	**45**	3
Hotel ownership and management	**534**	429
Food and beverage operation	**228**	202
Travel operation	**1,055**	984
Apparel operation	**68**	–
Total turnover	**2,496**	2,112
Profit attributable to shareholders of the Company	**1,325**	784
Underlying profit attributable to shareholders of the Company *(note)*	**411**	378
	HK$	HK$
Earnings per share	**2.30**	1.36
Underlying earnings per share	**0.71**	0.65
Dividend per share	**0.38**	0.37

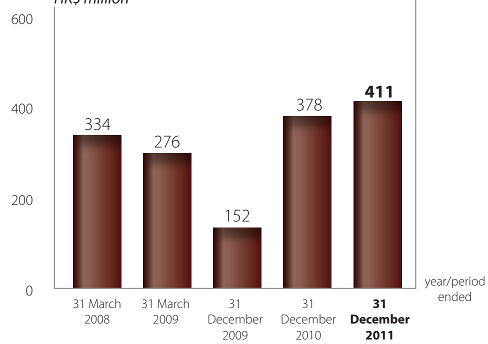
	At 31 December	
	2011 HK$'million	2010 HK$'million
Consolidated net assets attributable to shareholders of the Company	**9,907**	8,761
	HK$	HK$
Consolidated net asset value per share	**17.35**	15.36

Note: The effect of the net increase/decrease in fair value of investment properties (net of deferred tax and non-controlling interests) was excluded in the calculation of the underlying profit attributable to shareholders of the Company.

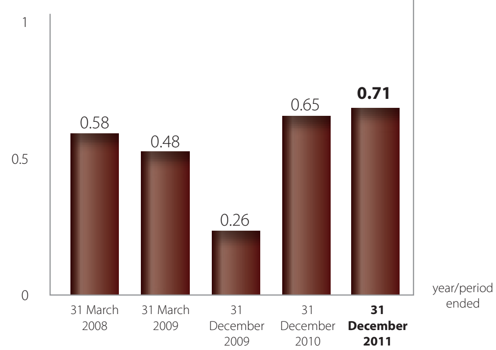
Turnover
HK$ million



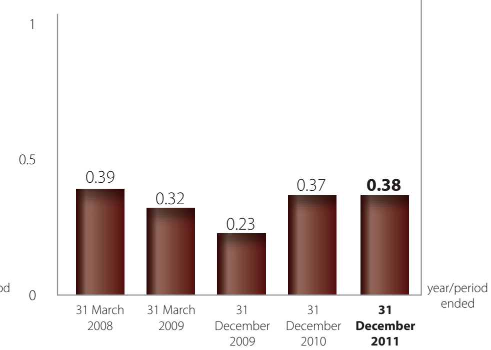
Underlying profit attributable to shareholders of the Company
HK$ million



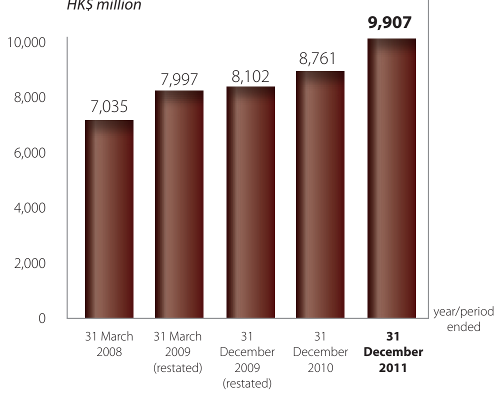
Underlying earnings per share
HK$



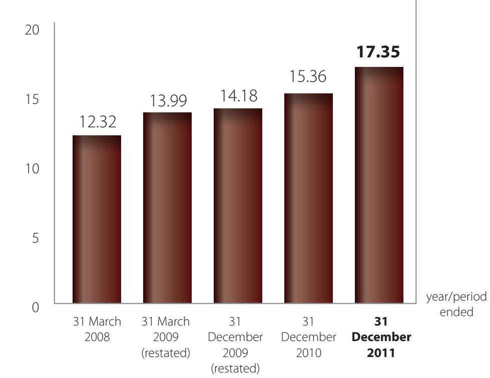
Dividend per share
HK$



Shareholders' equity
HK$ million



Net asset value per share
HK$



Notes:

(1) In August 2009, the Company changed its financial year end date from 31 March to 31 December. Hence the figures for the period ended 31 December 2009 covered the nine months period from 1 April 2009 to 31 December 2009.

(2) The figures for the period ended 31 December 2009 and year ended 31 March 2009 have been restated to reflect the effect of early adoption of the amendments to HKAS 12, *Income taxes*, in 2010. The figures for the year ended 31 March 2008 have not been restated as it would involve delays and expenses out of proportion of the benefit to shareholders of the Company.

Chairman's Statement

For the financial year ended 31 December 2011, the Group's turnover amounted to approximately HK$2,496,000,000, representing an increase of 18% as compared with 2010. Profit attributable to shareholders posted a growth of 69% to approximately HK$1,325,000,000 (2010: HK$784,000,000). Excluding the net increase in the fair value of our investment properties, underlying profit attributable to shareholders was approximately HK$411,000,000 (2010: HK$378,000,000). Basic underlying earnings per share amounted to HK$0.71, representing a year-on-year increase of 9%.

BUSINESS OVERVIEW

Benefited from the continued economic growth of mainland China and other regions in Asia, visitor arrivals in 2011 hit a record high of 41 million. Visitor spending during the year also posted an outstanding growth of over 20% year-on-year to an estimated amount of HK$253 billion in total. This helped foster robust development of industry sectors including hotel, food and beverage and retail consumption in Hong Kong.

During the year, the Group's core businesses recorded satisfactory performance and overall results grew year-on-year. Operating profit of The Mira Hong Kong (The "Mira"), the Group's flagship hotel, improved significantly and EBITDA (earnings before interest, taxes, depreciation and amortisation) delivered an impressive 52% increment. As for Property Rental business, the Group recorded increase in both occupancy rate and average unit rate of the property under our sound property portfolio. With more renowned brands and quality enterprises becoming our tenants after the completion of the refurbishment work in the 100,000 sq. ft. shopping centre at The Mira, we achieved an outstanding 15% growth in rental income.

Despite the adverse impact brought forth by natural disasters and political instability in certain countries and areas around the world, the Group's Travel Business remained on an uptrend. As for the newly-developed Apparel Retail Business, we are also delighted to witness robust development in 2011, which was in line with the Group's expectation.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Group places substantial importance on corporate governance and considers contributing to the well-being of society as our corporate responsibility. During the year, the Group continued to uphold its unsurpassed corporate governance standards and actively participated in various charitable and community events.

During the year, the Group adhered to the internationally recognised COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal monitoring standard. By conducting regular Internal Audits, the Group is committed to ensuring that business operation and management control, among other areas, are in compliance with international and professional standards.

Furthermore, the Group is keen to take part in community activities and encourages the involvement of fellow staff members. During the year, the Group conducted regular visits to community centres for the elderly and participated in fundraising events organised by different charity organisations, so as to provide support to minority groups and to enhance social care.

PROSPECTS

Looking ahead, we expect China and Hong Kong to maintain sound economic growth. This, together with the implementation of a series of initiatives to promote Hong Kong to become a Renminbi offshore centre and to strengthen its position as an international financial and asset management hub, will create enormous business opportunity for the local market.

The Group has been implementing a series of reform measures over the past few years, including carrying out refurbishment and renovation in hotel and other rental properties, enhancing management standard as well as strengthening staff training. As an enterprise with 55 years of history, the Group has now evolved into a corporation spearheaded by a dynamic, vibrant and modern management. Upon the completion of the renovation work of the Group's hotel, shopping centre and office building, the overall image of the respective projects has been significantly enhanced. This will help not only boosting the Group's rental income, but also benefiting the growth of the hotel and related businesses.

The Group is optimistic towards our business prospects. We will strive to capture arising opportunities and execute business strategies in a timely manner, so as to bolster the performance of existing businesses as well as step up the development of newly-added segments. We are confident that new businesses will soon generate profit return to the Group and our core businesses will continue to offer sustainable yield.

ACKNOWLEDGEMENTS

I would like to convey my genuine gratitude to the fellow members of Board of Directors and all staff members for their strong support and valuable contribution over the past year. I wish to join hands with you for better development and a prosperous future.

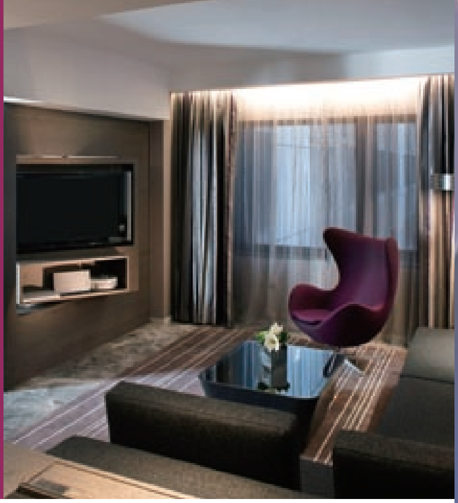
LEE SHAU KEE
Chairman

Hong Kong, 20 March 2012

Managing Director's Message

Diversification will be the key to our success

The Group 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. During the year, development of each business segment is in line with expectations and overall business performance showed an improvement as compared to that of the previous year.



Remarkable growth led to substantial profit increase

HOTEL AND HOTEL MANAGEMENT BUSINESS

Benefited from the supportive initiatives by the central government, occupancy rate and average room rate of The Mira continued to increase during the year. Occupancy rate 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.

The Hotel and Hotel Management business segment continued to deliver impressive results, with leverage on the reputable brand image of The Mira and our meticulous services. EBITDA (earnings before interest, taxes, depreciation and amortisation) of The Mira grew 52% to reach approximately HK$206,500,000.

The Group obtained the hotel management project for a designer lifestyle hotel in Wan Chai during the year. The hotel, which is currently under construction, will be operated under the brand name of "Mira Moon". During the year, construction progressed as scheduled and the hotel is expected to commence operation in 2013. The hotel offers a total of 91 guest rooms. Wan Chai district enjoys a convenient transportation network and features old and new cultural characteristics of the area. We believe the hotel will soon become a popular hotel in the district upon completion with the distinguished brand image of "The Mira" and our well-recognised service quality.

An optimistic outlook for the property rental business

PROPERTY RENTAL BUSINESS

The Group owns a sound property portfolio, comprising retail shops in our shopping centre and office tower, which generates stable income. During the year, rental income derived from Miramar Shopping Centre and Miramar Tower remained as the major income contributor. With the completion of refurbishment work in the public areas of Miramar Tower and the shopping centre at The Mira, occupancy rate and average unit rate of the property showed an upward trend. Overall income of our Property Rental Business recorded a growth of 15% over that of 2010.

Miramar Shopping Centre ("MSC")

Upon the completion of renovation programmes, MSC attracted a number of renowned quality brands with its new and dynamic image. The Group also launched different periodic promotion campaigns, which lured more visitors and helped drive the increase in occupancy rate and average unit rate. As at the end of 2011, occupancy rate of MSC was approximately 100% and average unit rate also recorded a mild increase.

The tenants of MSC are mostly upscale trendy fashion stores, including international fashion brands from around the globe, such as DKNY, agnés b, A|X Armani Exchange, DKNY Jeans, D-mop, i.t. and Vivienne Westwood. Meanwhile, MSC also houses restaurants that serve a diverse range of delicacies, from Chinese, Japanese, Korean to Italian, offering customers a collection of savoury choices.

Miramar Tower ("MT")

In order to enhance the image of MT as a Grade A office building and boost asset value, the Group commenced a series of renovation work over the past year. With the completion of work in the first half of 2011 as scheduled, the public were impressed by the brand new image of MT, which brought forth positive impact on rental income. As at the end of 2011, occupancy rate of MT also reached approximately 100% with average unit rate slightly increased as compared to 2010.

Mira Mall

The refurbishment work of the shopping centre at The Mira was completed in the fourth quarter of 2011, it will be operated under the name of "Mira Mall". A number of renowned brands have been establishing their presence, including the flagship store of Coach, Tommy Hilfiger and King Fook Jewellery. We believe the opening of new stores will become another momentum for rental income growth.

Diverse cuisine choices for different target audiences

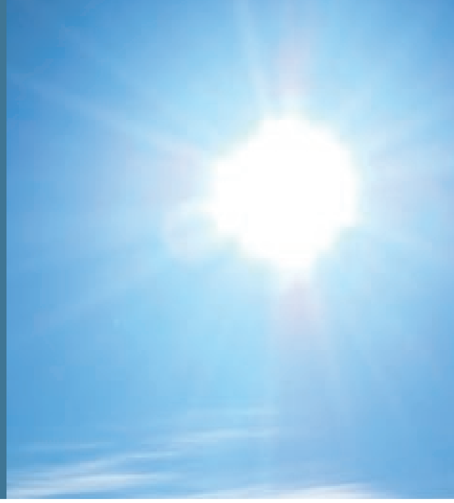
FOOD AND BEVERAGE BUSINESS

The Group operates a multi-brand Food and Beverage Business, including Tsui Hang Village, Yunyan Sichuan Restaurant, Cuisine Cuisine (a high-end Chinese restaurant) and The French Window (a French restaurant for fine dining), as well as three new restaurants opened during the year, namely Hide-Chan Ramen (a popular Japanese Ramen restaurant), Saboten (a traditional Japanese pork cutlet restaurant) and Assaggio Trattoria Italiana (an Italian restaurant).

The three new restaurants mentioned above commenced operation during the year and have received overwhelming response from diners with unique menu and delicacies, well-chosen ingredients and premium services. The Group is confident that these new restaurants will further enrich its clientele of the Food and Beverage Business to include customers from different spectrums of society, and contribute to future profit growth.

In addition, the Group is dedicated to excel in the realm of high-end luxury food and beverage business and 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 decorating 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 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. However, with renovation work completed and the two Cuisine Cuisine restaurants commencing operation, we expect our Food and Beverage business in Hong Kong and mainland China will gradually improve.



Unique tours and one-of-a-kind destinations

TRAVEL BUSINESS

The Group's Travel Business witnessed another year of growth. As compared to 2010, turnover of this business segment increased 7% to reach HK$1,055,000,000. However, travel industry around the world was seriously struck by the political instability and natural disasters, including the earthquakes in Japan and New Zealand, the flooding in Australia, the nuclear

plant explosion in Fukushima, Japan, as well as the political campaign that took place in the Middle East and Africa.

Against the backdrop of the abovementioned incidents and natural hazards, EBITDA of the Group's Travel Business slightly dropped to approximately HK$25,000,000 in 2011.

Bringing Western fashion to the Mainland China market

APPAREL RETAIL BUSINESS

The Group extended its reach to Apparel Retail Business in 2011 and became the distributor of DKNY Jeans, a young and energetic brand, in mainland China. At present, the Group owns and operates five DKNY Jeans stores in each of Shanghai and Beijing. In addition, the Group successfully secured and engaged over 20 franchisees to operate DKNY Jeans franchised stores. As at the end of 2011, there were over 40 stores operated by the Group and franchisees.

Since this business segment is still in an early stage of development, we sustained a negative EBITDA of approximately HK$4,000,000 during the year. Nevertheless, the Apparel Retail business is gradually picking up alongside the robust development of the business, and we are confident that the business segment will contribute to the Group in the future.

BUSINESS OUTLOOK

Due to the European and US sovereign debt crisis as well as the slowdown of economic growth of several countries and regions, the outlook of the global economy remains uncertain. Notwithstanding, the Group believes both mainland China and Hong Kong will sustain stable economic growth, thus remains optimistic towards business prospects. We will keep a close eye on positive opportunities and to step up the growth potential of core businesses amidst a challenging market environment.

We expect the consumption market will continue to grow in 2012, favouring the development of hotel, food and beverage and retail industries. The Group will capture the opportunities brought forth by the vigorous trading collaboration between Hong Kong and mainland China and the blossoming retail and hotel market, in order to propel growth in related businesses. In particular, our Property Rental Business will further generate increasing

rental income. As the refurbishment work in the shopping centre at The Mira has been completed, a number of renowned brands are establishing their presence in this 100,000 sq. ft. stylish mall. We expect this will contribute to multiple growth in rental income.

We are dedicated to tap into new businesses that are related to existing core businesses, with a goal to develop a diversified business portfolio and garner strong profit gains. We are assured that we will overcome future challenges and accelerate business growth with new momentum in the coming year.

LEE KA SHING
Managing Director

Hong Kong, 20 March 2012

Award Recognition

GROUP

- Outstanding Hong Kong Branding Enterprise 2011, Capital Magazine

HOTEL

THE MIRA HONG KONG:

- Recommended Hotel, Michelin Guide Hong Kong & Macau 2012
- Recommended Hotel, Hong Kong/Macau Louis Vuitton City Guide 2012

MIRA SPA:

- Best Hotel Spa and Best Facial in Hong Kong, Kelly England The Guide Awards 2011

PROPERTY

MIRAMAR SHOPPING CENTRE:

- Customer Relationship Excellence Awards 2011, APCSC
- Prime Awards for Brand Excellence 2011, Metro Box

TRAVEL

MIRAMAR TRAVEL AND MIRAMAR EXPRESS:

- The Best Travel Agent 2009 – 2011, Capital Magazine

FOOD & BEVERAGE

ASSAGGIO TRATTORIA ITALIANA:

- Outstanding Greater China Design Awards 2011, Hong Kong Art & Design Festival

COCO:

- Hong Kong's Best Restaurants 2010 – 2012, Asia Tatler Dining

CUISINE CUISINE IN HONG KONG:

- 1-Star Restaurant, Michelin Guide Hong Kong & Macau 2012
- Recommended Restaurant, Hong Kong/Macau Louis Vuitton City Guide 2012
- Regional Best Restaurants 2012, Asia Tatler
- Excellent Brand of Business Banquet, Hong Kong Leaders' Choice 2011 (Cuisine Cuisine at ifc)
- Outstanding Wine List Award, China Best Value Wine Awards 2012 (Cuisine Cuisine at The Mira)

HIDE-CHAN RAMEN:

- Recommended Bib Gourmand Restaurant, Michelin Guide Hong Kong & Macau 2012

THE FRENCH WINDOW:

- Top 500 Restaurants in Asia, The Miele Guide 2011/2012
- Recommended Restaurant, Hong Kong/Macau Louis Vuitton City Guide 2012
- Regional Best Restaurants 2012, Asia Tatler

TSUI HANG VILLAGE:

- Recommended Restaurant, Michelin Hong Kong Must Sees 2012
- Hong Kong's Best Restaurants 2010 – 2012, Asia Tatler Dining (Central)

WHISK:

- Recommended Restaurant, Michelin Guide Hong Kong & Macau 2012
- Recommended Restaurant, Hong Kong/Macau Louis Vuitton City Guide 2012
- Regional Best Restaurants 2012, Asia Tatler

YAMM:

- Regional Best Restaurants 2012, Asia Tatler

YUNYAN SICHUAN RESTAURANT:

- 2011 Outstanding QTS Merchant Award Winner, Hong Kong Tourism Board
- Hong Kong's Best Restaurants 2009 – 2012, Asia Tatler Dining

Biographical Details of Directors and Senior Management

DIRECTORS

Dr the Honourable LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*

Aged 83. Dr Lee was appointed director of the Company in 1993 and has been the Chairman of the Company since 8 August 2001. He has been engaged in property development in Hong Kong for more than 55 years. He is the founder and also the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"), the Chairman of The Hong Kong and China Gas 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. He is a director of Multiglade Holdings Limited ("Multiglade"), Higgins Holdings Limited ("Higgins"), Threadwell Limited ("Threadwell"), Aynbury Investments Limited ("Aynbury"), Henderson Land, Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Riddick (Cayman) Limited ("Riddick") and Rimmer (Cayman) Limited ("Rimmer") which have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2011. He is the father of Mr Lee Ka Shing.

Dr David SIN Wai Kin, *DSSc (Hon)*

Aged 82. Dr Sin was appointed director of the Company in 1974 and has been a Vice Chairman of the Company since 1985. He is currently a member of the Audit Committee and Remuneration Committee of the Company. Dr Sin has a plenitude of experience in the businesses of jewelry, property development, property rental, hotel operation, and banking and finance. He is the Chairman of Myer Jewelry Manufacturer Limited and an executive director of New World Development Company Limited. He was previously a director of Hang Seng Bank Limited. He is also a director of certain subsidiaries of the Company.

Mr LEE Ka Shing

Aged 40. Mr Lee was appointed director of the Company in 2004 and has been actively involved in formulating the Group's corporate development strategies and directions. On 1 August 2006, he was appointed as Managing Director of the Company, and has been in charge of corporate policy formulation and schematization, as well as promoting the Group's business development and enhancing its competitiveness and status in the industry. He was educated in Canada. He is the Vice Chairman of Henderson Land, Henderson Investment and a director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is also a Vice Chairman of Henderson Development. Mr Lee is a Member of the Tenth Guangxi Zhuangzu Zizhiqu Committee of the Chinese People's Political Consultative Conference and a Member of the Tenth Foshan Committee of the Chinese People's Political Consultative Conference. Henderson Land and Henderson Development have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2011. He is also a director of certain subsidiaries of the Company. He is the son of Dr Lee Shau Kee.

Dr Patrick FUNG Yuk Bun

Aged 64. Dr Fung was appointed director of the Company in 1985. He obtained his MBA degree from University of Toronto in 1973, and was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2001 and an Honorary Doctor of Laws by the University of Toronto in 2005. Dr Fung joined Wing Hang Bank in 1976 and was appointed Director in 1980. He was appointed Chief Executive of the Bank in 1992, and then Chairman and Chief Executive in April 1996.

Dr Fung is an independent non-executive director of The Link Management Limited. He is a member of the Exchange Fund Advisory Committee ("EFAC") and the EFAC Financial Infrastructure Sub-Committee, a member of the Hong Kong Tourism Board, a member of the Court of the Hong Kong Polytechnic University, a court member of the Hong Kong University of Science and Technology, Vice President of the Hong Kong Institute of Bankers. He is also a director of certain subsidiaries of the Company.

Mr Dominic CHENG Ka On

Aged 62. Mr Cheng was appointed director of the Company in 1985. He is currently a member of the Audit Committee of the Company. Mr Cheng has extensive practical experience in corporate management and is also an executive director of King Fook Holdings Limited and the Managing Director of the Onflo International Group of Companies. He is also a director of certain subsidiaries of the Company.

Mr Richard TANG Yat Sun, *MBA, BBS, JP*

Aged 59. Mr Tang was appointed director of the Company in 1986. He is an MBA graduate from the University of Santa Clara, California, U.S.A., and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, U.S.A. He is currently the Chairman and Managing Director of Richcom Company Limited, Vice Chairman of King Fook Holdings Limited, a director of Hang Seng Bank Limited and various private business enterprises. He is an Advisor of Tang Shiu Kin and Ho Tim Charitable Fund. He is also a director of certain subsidiaries of the Company.

Mr Colin LAM Ko Yin, *FCILT, FHKIoD*

Aged 60. Mr Lam was appointed director of the Company in 1993. He holds a Bachelor of Science (Honours) degree from the University of Hong Kong and has over 38 years' experience in banking and property development. 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. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited, the Vice Chairman of Henderson Land and Henderson Investment as well as a director of The Hong Kong and China Gas Company Limited, all of which are listed companies. Mr Lam is a director of Henderson Development, Multiglade, Higgins, Threadwell, Aynbury, Hopkins, Riddick and Rimmer. Multiglade, Higgins, Threadwell, Aynbury, Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2011. He is also a director of certain subsidiaries of the Company.

Mr Eddie LAU Yum Chuen

Aged 65. Mr Lau was appointed director of the Company in 1996. He has over 40 years' experience in banking, finance and investment. He is also an executive director of Henderson Land and Henderson Investment as well as a director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2011. He is also a director of certain subsidiaries of the Company.

Mr Tony NG

Aged 71. Mr Ng was appointed director of the Company in 1997. He is a graduate of Hotel Management from Ecole Hoteliere Lausanne, Switzerland. He has over 43 years' experience in the fields of hotel management and food and beverage in Hong Kong, Switzerland, Australia, Hawaii and Singapore. He is also a director of certain subsidiaries of the Company. He is the brother-in-law of Mr Howard Yeung Ping Leung.

Mr Norman HO Hau Chong, *BA, ACA, FCPA*

Aged 56. Mr Ho was appointed director of the Company in 1998. He is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 30 years' experience in management and property development. He is also a director of Vision Values Holdings Limited, as well as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited. He has been a director of CITIC Pacific Limited until 12 May 2011. He is also a director of certain subsidiaries of the Company.

Mr Howard YEUNG Ping Leung

Aged 55. Mr Yeung was appointed director of the Company in 2000. He has lots of experience in the businesses of property development, hotel operation and jewelry. He is also the Chairman of King Fook Holdings Limited and a director of New World Development Company Limited. He is the brother-in-law of Mr Tony Ng.

Mr Thomas LIANG Cheung Biu, *BA, MBA*

Aged 65. Mr Liang was appointed director of the Company in 2004. He holds a Bachelor degree in Economics from the University of California, Berkeley and a Master degree in Business Administration from the Columbia University and has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. He is also the Group Chief Executive of Wideland Investors Limited and a non-executive director of New World Development Company Limited.

Mr WU King Cheong, *BBS, JP*

Aged 61. Mr Wu was appointed as an independent non-executive director of the Company in 2005. He is a 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 Land, Henderson Investment and Hong Kong Ferry (Holdings) 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. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2011.

Mr Alexander AU Siu Kee, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*

Aged 65. Mr Au was appointed as an independent non-executive director on 17 January 2005 and re-designated as a non-executive director of the Company on 7 November 2005. Mr Au is a well-known banker in Hong Kong and has more than 32 years' experience in local and international banking business, having been the Chief Executive 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 is currently an independent non-executive director of Wheelock and Company Limited and a non-executive director of Henderson Land and Hong Kong Ferry (Holdings) Company Limited, all 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. As at 31 December 2011 Henderson Land had discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Dr Timpson CHUNG Shui Ming, *GBS, JP, DSSc (Hon)*

Aged 60. Dr Chung was appointed as an independent non-executive director of the Company in 2006. Dr Chung obtained a bachelor's degree in science from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong, and was awarded a Doctor of Social Sciences honories causa by the City University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He is a member of the National Committee of the 10th and 11th Chinese People's Political Consultative Conference. Currently, Dr Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Nine Dragons Paper (Holdings) Limited, Glorious Sun Enterprises Limited and China Overseas Grand Oceans Group Limited. He is also an independent director of China State Construction Engineering Corporation Limited and China Everbright Bank Corporation Limited, both listed on the Shanghai Stock Exchange. Formerly, Dr Chung was the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. He was previously an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited and Tai Shing International (Holdings) Limited. He was also, formerly, the Managing Director of Hantec Investment Holdings Limited and an executive director and the Chief Executive Officer of Shimao International Holdings Limited.

SENIOR MANAGEMENT

Mr Romain CHAN Wai Shing, *BSc, MBA*

Aged 52. Mr Chan joined the Company in 2008 as the Group General Manager. He holds a Bachelor of Science Degree from the School of Hotel Administration, Cornell University, as well as an MBA Degree and a Master of Management Degree from the Hong Kong Polytechnic University and the Macquarie University in Australia, and is a hotel and tourism management doctorate degree candidate at the Hong Kong Polytechnic University. Mr Chan has over 28 years' experience in hotel administration, spanning a wide range of nations.

Mr Chan has been appointed to the Tourism Strategy Group in the Tourism Commission; and is a member of the Associate of Social Science (Tourism) Programme Advisory Committee of the Hong Kong Institute of Education, as well as the Hotel, Catering and Tourism Training Board of the Hong Kong Vocational Training Council.

Mr Martin CHUNG Shui Ming

Aged 47. Mr Chung joined the Group in April 2010 as General Manager of The Mira Hong Kong. He holds a degree in Hospitality Management from the University of Lausanne and a Bachelor Degree in Business Administration from La Neuveville, Switzerland. Mr Chung has over 21 years of experience in hospitality management spanning Asia, Europe, and the Middle East, and specializing in food and beverage.

Prior to joining the Group, he was Senior Vice-President – Food and Beverage – of Atlantis, The Palm Dubai and has held senior management positions in various reputable hotels in Dubai, Europe, Hong Kong and the People's Republic of China.

Mr Dirk DALICHAU

Aged 43. Mr Dalichau a German national and graduate of Glion Institute of Higher Education in Switzerland has joined the Group in 2007 to conceptualise and open The Mira Hong Kong. In 2011 he was appointed Director of Group Strategic Marketing.

Mr Dalichau brings with him international experience in Management and Marketing, having worked in the USA, Europe and the United Kingdom, holding various Hotel General Manager positions as well as Regional Marketing positions in Central and Western Europe for reputable international companies, as well as having extensive experience in leading and running Lifestyle businesses.

Mr Charles LAU Kin Shing, *DBA, CA, CISA, FCPA*

Aged 56, Mr Lau joined the Group in March 2010 as Chief Financial Officer. Mr Lau holds a Doctorate degree in Business Administration, a Master Degree in Business Administration and Information System Management, and a Bachelor Degree in Accounting. He is a Chartered Accountant, Certified Information System Auditor, and Certified Public Accountant in Hong Kong. He possesses over 21 years of corporate control and financial management experiences gained from various reputable multinational firms.

Ms Florence NG Wai Na

Aged 48. Ms Ng joined the Group in February 2009 as Senior Vice President of Marketing and Sales. Ms Ng's primary role is to lead the marketing and sales functions for the group with direct responsibility for the development and execution of marketing and sales strategy. Graduated from Canada with the diploma in Hotel & Resort Operation in 1987, Ms Ng has over 23 years' extensive working experience in marketing and sales as well as hotel operation, gained from working with a variety of reputable hotels.

Ms Clara NGAN King Ha, *BA, MBA*

Aged 48. Ms Ngan joined the Group in 1996, and was appointed as Director of Group Human Resources and Administration in 2005. Graduated from the Hong Kong Polytechnic University, Ms Ngan holds a professional diploma in Company Secretaryship and Administration. She obtained her Postgraduate Diploma and Master Degree in Business Administration from the Sheffield Hallam University in United Kingdom and she is a holder of a Bachelor of Arts degree in Language and Translation from the Open University of Hong Kong. She has over 23 years' experience in business administration in the commercial sector and with her extensive exposure in human resources management, she is responsible for mapping the group's human resources needs and overseeing training and career progression for staff.

Ms Elizabeth TING Hwee Yuan

Aged 47. Ms Ting joined the Group in 2011 and is the Vice President for F&B Chain Operations & Development. Ms Ting has 27 years of experience in hotel & chain restaurant operations. Prior to joining the Group, she held senior management positions in various international companies in Singapore, Malaysia, Taiwan, China and France; spanning from quick service restaurants, cafe chain, theme restaurants to food production factory. Her primary role with the Group is to expand and manage the growth of our chain operations in Hong Kong and Mainland China.

Mr Ricky TSE Ping Shing, *MSc, MBA, FCCA, FCPA(Aust.), FCPA, ACA, CIA*

Aged 50. Mr Tse joined the Group as the Director of Internal Audit in September 2008. Mr Tse holds Master Degrees in Finance and Business Administration and is a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Association of Chartered Certified Accountants, a Fellow of CPA Australia, an Associate of the Institute of Chartered Accountants in England & Wales and a Certified Internal Auditor of the Institute of Internal Auditors in the United States.

Mr Tse has more than 26 years of experience in auditing and financial control. Prior to joining the Group, Mr Tse has held senior positions in the areas of internal auditing, risk management and financial control with various reputable companies.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance. During the year ended 31 December 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

The Board of Directors (the "Board") currently comprises fifteen members, of whom six are executive directors, six non-executive directors and three independent non-executive directors, as detailed below:

Executive Directors:

Dr LEE Shau Kee
Mr LEE Ka Shing
Mr Richard TANG Yat Sun
Mr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

Non-executive Directors:

Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Tony NG
Mr Howard YEUNG Ping Leung
Mr Thomas LIANG Cheung Biu
Mr Alexander AU Siu Kee

Independent Non-executive Directors:

Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming

The biographical details of the directors and relationship among them are shown under the section "Biographical Details of Directors and Senior Management" in this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the directors.

All the non-executive directors (including independent non-executive directors) of the Company have been appointed for a term of not more than three years. The terms of Dr Patrick Fung Yuk Bun, Mr Howard Yeung Ping Leung and Mr Tony Ng are up to 31 December 2012; Mr Dominic Cheng Ka On, Mr Wu King Cheong and Mr Alexander Au Siu Kee up to 31 December 2013; Dr David Sin Wai Kin, Mr Thomas Liang Cheung Biu and Dr Timpson Chung Shui Ming up to 31 December 2014; and all are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

The Board has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the independent non-executive directors are independent.

The roles undertaken by Dr Lee Shau Kee as Chairman of the Company and Mr Lee Ka Shing as Managing Director (whose status is equivalent to chief executive officer for the purpose of the CG Code but not otherwise) are segregated.

The Board makes broad policy decisions and has delegated the responsibility to the Managing Director for corporate policy formulation and schematization, as well as promoting the Group's business development and enhancing its competitiveness and status in the industry. The key function of the Chairman is the management of the Board. The day-to-day management and operation of the Company's businesses are delegated to the senior management. The Board has the following matters specifically reserved for its approval:

1. Major acquisitions and disposals, and joint ventures;

2. Major project investments, and major capital expenditure programmes;

3. Annual budgets, and business and financial plans;

4. Financial statements, dividend distributions, capital structure, treasury policy, and accounting policy;

5. Remuneration policy and terms of employment of the senior executive team; and

6. Public announcements as required under the Listing Rules.

During the year ended 31 December 2011, four board meetings were held to review and approve financial results, evaluate operating performance and direct business development. With effect from 20 March 2012, the Board has a total of four board committees to assist it in carrying out its responsibilities; and they are the General Purpose Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, all of which have defined terms of reference setting out their respective duties, powers and functions.

GENERAL PURPOSE COMMITTEE

The General Purpose Committee comprises five members, all of them are executive directors, namely Mr Lee Ka Shing, Mr Richard Tang Yat Sun, Mr Colin Lam Ko Yin, Mr Eddie Lau Yum Chuen and Mr Norman Ho Hau Chong. The General Purpose Committee operates with delegated authority from the Board.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and two are executive directors, namely Dr Lee Shau Kee and Mr Richard Tang Yat Sun. Dr Timpson Chung Shui Ming is the Chairman of the Remuneration Committee with effect from 20 March 2012 in place of Dr Lee Shau Kee.

The Remuneration Committee meets at least once a year to review the structure of remunerations for directors and senior management with reference to the skill, knowledge, experience, responsibilities, individual performance and the overall profitability of the Company. The Remuneration Committee regards that the remunerations offered to the directors and senior management are appropriate for their duties and in line with market practice. No director would be involved in deciding his own remunerations.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for review of the financial results of the Group and oversight of the Group's financial controls, internal controls and risk management systems. It comprises five members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and two are non-executive directors, namely Dr Patrick Fung Yuk Bun and Mr Dominic Cheng Ka On. Dr Timpson Chung Shui Ming is the Chairman of the Audit Committee.

The Audit Committee met seven times during the year ended 31 December 2011. The major work performed by the Audit Committee included reviewing the Group's internal controls, internal audit reports, audit plans, annual reports, interim reports, financial statements, connected transactions and approving the remunerations and terms of engagement of the external auditors.

ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board and Committees during the year ended 31 December 2011 and the attendance of directors is set out in the table below:

	Meetings attended/held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Dr LEE Shau Kee	4/4	N/A	1/1
Mr LEE Ka Shing	4/4	N/A	N/A
Mr Richard TANG Yat Sun	3/4	N/A	1/1
Mr Colin LAM Ko Yin	4/4	N/A	N/A
Mr Eddie LAU Yum Chuen	4/4	N/A	N/A
Mr Norman HO Hau Chong	4/4	N/A	N/A
Non-executive Directors			
Dr Patrick FUNG Yuk Bun	4/4	6/7	N/A
Mr Dominic CHENG Ka On	4/4	7/7	N/A
Mr Tony NG	0/4	N/A	N/A
Mr Howard YEUNG Ping Leung	4/4	N/A	N/A
Mr Thomas LIANG Cheung Biu	4/4	N/A	N/A
Mr Alexander AU Siu Kee	4/4	N/A	N/A
Independent Non-executive Directors			
Dr David SIN Wai Kin	4/4	6/7	1/1
Mr WU King Cheong	4/4	7/7	1/1
Dr Timpson CHUNG Shui Ming	3/4	7/7	1/1

NOMINATION COMMITTEE

During the year ended 31 December 2011, the Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested in the Board according to the Articles of Association. In addition, the shareholders can nominate any person to become a director of the Company in accordance with the Articles of Association of the Company and the law of Hong Kong.

The Board from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board. The Directors will evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time.

On 20 March 2012, the Company has established a Nomination Committee which comprises five members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and two are executive directors, namely Dr Lee Shau Kee and Mr Lee Ka Shing. And Dr Lee Shau Kee is the Chairman of the Nomination Committee.

AUDITORS' REMUNERATION

During the year ended 31 December 2011, the fees (before out-of-pocket expenses) paid/payable to the Company's auditors, KPMG, for the provision of audit services and non-audit services are as follows:

	Remuneration HK$'000
Audit services	3,927
Non-audit services:	
Interim review	355
Other services	31
	4,313

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the annual financial statements which give a true and fair view of the Group's state of affairs and of the results and cash flow for the year. The Group's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 64 to 65 of this Annual Report.

INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Company and has reviewed its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the Company's assets.

During the year ended 31 December 2011, the Company, with reference to the COSO (The Committee of Sponsoring Organisations of the Treadway Commission) internal control framework, has conducted an assessment of the internal controls system against the five elements of COSO, namely control environment, risk assessment, control activities, information & communication and monitoring.

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 risk-based audits on the major operating activities of the Group. 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.

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2011 and discussed with the internal auditor and independent auditors matters on auditing, internal control and financial report of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the principal activities of its principal subsidiaries are property investment, property development and sales, hotel ownership and management, food and beverage operation, travel operation and apparel operation; the particulars of which are set out in note 12 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2011 are set out in note 10 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Due to the diversity and nature of the Group's activities, the aggregate percentage of the Group's sales and purchases attributable to the Group's five largest customers and suppliers respectively was less than 30%.

At 31 December 2011, none of the directors, their associates or shareholders who, to the knowledge of the directors, own more than 5% of the Company's share capital, had an interest in any of the five largest customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 66 to 136.

An interim dividend of 15 Hong Kong cents per share (2010: 15 Hong Kong cents per share) was paid on 18 October 2011. The directors now recommend the payment of a final dividend of 23 Hong Kong cents per share (2010: 22 Hong Kong cents per share) in respect of the year ended 31 December 2011, totalling HK$219,348,000.

CHARITABLE DONATIONS

Donations made by the Group during the year ended 31 December 2011 amounted to HK$33,146 (2010: HK$114,540).

FIXED ASSETS

Details of movements in fixed assets are set out in note 11 to the financial statements.

DIRECTORS

The directors who held office during the year ended 31 December 2011 and up to the date of this report were:

Executive Directors:

Dr LEE Shau Kee
Mr LEE Ka Shing
Mr Richard TANG Yat Sun
Mr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

Non-executive Directors:

Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Tony NG
Mr Howard YEUNG Ping Leung
Mr Thomas LIANG Cheung Biu
Mr Alexander AU Siu Kee

Independent Non-executive Directors:

Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming

In accordance with Articles 77, 78 and 79, Dr Timpson Chung Shui Ming, Mr Norman Ho Hau Chong, Mr Colin Lam Ko Yin, Mr Tony Ng and Mr Howard Yeung Ping Leung will retire at the forthcoming Annual General Meeting by rotation. The above five directors, being all eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

DISCLOSURE OF INTERESTS

Directors' interests in shares

At 31 December 2011, the interests and short positions of the directors and the chief executive 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 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 Issuers were as follows:

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Percentage of total issued shares
Miramar Hotel and Investment Company, Limited	Dr LEE Shau Kee	–	–	255,188,250 *(note 1)*	–	44.21%
	Dr David SIN Wai Kin	4,158,000	–	–	–	0.72%
	Mr LEE Ka Shing	–	–	–	255,188,250 *(note 2)*	44.21%
	Dr Patrick FUNG Yuk Bun	–	–	–	8,426,710 *(note 3)*	1.46%
	Mr Dominic CHENG Ka On	7,774,640	4,000	–	–	1.35%
	Mr Richard TANG Yat Sun	125,000	–	11,241,900 *(note 4)*	–	1.97%
	Mr Thomas LIANG Cheung Biu	–	1,080,000 *(note 5)*	–	–	0.19%
Centralplot Inc.	Mr Richard TANG Yat Sun	2,221	–	–	–	2%
Strong Guide Property Limited	Dr LEE Shau Kee	–	–	2 *(note 6)*	–	100%
	Mr LEE Ka Shing	–	–	–	2 *(note 6)*	100%

Save as disclosed above, at 31 December 2011, none of the directors or the chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the year ended 31 December 2011 was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders and others

The Company has been notified of the following interests in the Company's issued shares at 31 December 2011, amounting to 5% or more of the shares in issue:

Substantial shareholders	**Ordinary shares held**	**Percentage of total issued shares**
Dr Lee Shau Kee	255,188,250 *(note 1)*	44.21%
Mr Lee Ka Shing	255,188,250 *(note 2)*	44.21%
Rimmer (Cayman) Limited ("Rimmer")	255,188,250 *(note 7)*	44.21%
Riddick (Cayman) Limited ("Riddick")	255,188,250 *(note 7)*	44.21%
Hopkins (Cayman) Limited ("Hopkins")	255,188,250 *(note 7)*	44.21%
Henderson Development Limited ("Henderson Development")	255,188,250 *(note 8)*	44.21%
Henderson Land Development Company Limited ("Henderson Land")	255,188,250 *(note 8)*	44.21%
Aynbury Investments Limited ("Aynbury")	255,188,250 *(note 8)*	44.21%
Higgins Holdings Limited ("Higgins")	100,612,750 *(note 8)*	17.43%
Multiglade Holdings Limited ("Multiglade")	79,121,500 *(note 8)*	13.71%
Threadwell Limited ("Threadwell")	75,454,000 *(note 8)*	13.07%
Persons other than substantial shareholders		
Mr Chong Wing Cheong	57,594,210	9.98%

Save as disclosed above, at 31 December 2011, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Notes:

(1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins. By virtue of the SFO, Dr Lee Shau Kee is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 2, 7 and 8.

(2) As director of the Company and one of the discretionary beneficiaries of two discretionary trusts holding units in a unit trust ("Unit Trust) as described in Note 8, Mr Lee Ka Shing is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 1, 7 and 8, by virtue of the SFO.

(3) All these shares were held by a unit trust of which Dr Patrick Fung Yuk Bun was a beneficiary.

(4) These shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued share capital.

(5) All these shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary.

(6) These 2 shares in Strong Guide Property Ltd were equally owned by the respective wholly-owned subsidiaries of the Company and Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 2, 7 and 8.

(7) Rimmer and Riddick, trustees of different discretionary trusts, held units in the Unit Trust. Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in the share capital of Henderson Development. These 255,188,250 shares are duplicated in the interests described in Notes 1, 2 and 8.

(8) Henderson Development had a controlling interest in Henderson Land which was the holding company of Aynbury. The 255,188,250 shares were beneficially owned by some of the subsidiaries of Aynbury. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. These 255,188,250 shares represent the shares described in Notes 1, 2 and 7.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of directors' emoluments and the five highest paid individuals in the Group are set out in notes 5 and 6 respectively to the financial statements.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

The Group has the following continuing connected transactions and connected transaction during the year ended 31 December 2011:

(1) On 8 February 2005, a confirmation of sub-lease (the "Confirmation of Sub-Lease") was entered into between Profit Advantage Limited, a wholly-owned subsidiary of the Company as tenant (the "Tenant") and IFC Development Limited as landlord (the "Landlord"), whereby the Landlord agreed to sub-lease to the Tenant the premises upon the terms as detailed below:

Premises	:	Shop Nos. 3101-3107 on Level Three of ifc Mall (Retail Accommodation on Site R of Inland Lot No. 8898) (the "ifc Premises").
Term	:	Initial term of three years which commenced from 7 July 2004 with a first option (the "1st Option") exercisable by the Tenant at the expiry of the initial sub-lease period on 6 July 2007 to renew the sub-lease of the ifc Premises for three years, and a second option (the "2nd Option") exercisable by the Tenant at the expiry of the First Renewed Period to renew the sub-lease of the ifc Premises for a further three years if the 1st Option is exercised by the Tenant.
Rent and other charges	:	The rent payable on monthly basis (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings) during the term shall be as follows:

(a) From 7 November 2004 to 6 July 2005, basic rent in the sum of HK$435,726.00 per month together with turnover rent representing the amount by which 10% of the gross amount of all sums billed or received in the course of the Tenant's business conducted at the ifc Premises (excluding 10% service charge) exceeds the basic rent per month (the "Turnover Rent");

(b) From 7 July 2005 to 6 July 2007, basic rent in the sum of HK$484,140.00 per month together with the Turnover Rent;

(c) From 7 July 2007 to 6 July 2010 (the "First Renewed Period"), provided the 1st Option is exercised by the Tenant, at open market rent provided that the basic rent shall not be less than HK$484,140.00 per month or more than HK$580,968.00 per month, together with the Turnover Rent; and

(d) From 7 July 2010 to 6 July 2013 (the "Second Renewed Period"), provided the 2nd Option is exercised by the Tenant, at open market rent provided that the basic rent shall not be less than the basic rent paid for the last calendar month of the First Renewed Period or more than 120% of the basic rent paid for the last calendar month of the First Renewed Period, together with the Turnover Rent.

		Air-conditioning and management charges and promotional levy payable on monthly basis during the term shall be approximately HK$193,656.00 per month (subject to review from time to time in accordance with the terms of the Confirmation of Sub-Lease).

Upon the expiry of the initial term of the Sub-Lease, the Tenant exercised the 1st Option to renew the Sub-Lease (the "First Renewed Sub-Lease") and certain storerooms and advertisement lightbox(es) at the ifc Mall were also licenced by the Landlord to the Tenant (the "Licences") upon the terms as detailed below:

Term	:	Three years commencing from 7 July 2007 to 6 July 2010, subject to the 2nd Option, and for the Licences, on an annual basis, subject to termination upon termination of the First Renewed Sub-Lease.
Rent and other charges	:	The First Renewed Sub-Lease is at a basic rent of HK$580,968.00 plus the Turnover Rent (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings (if any)); and the Licences are at an aggregate licence fee of HK$29,628.00 (inclusive of management charges but exclusive of air-conditioning charges, rates, electricity, tax and other outgoings (if any)) per month; which shall both be payable on a monthly basis; and The aggregate air-conditioning and management charges and promotional levy payable on monthly basis in respect of the First Renewed Sub-Lease shall be approximately HK$348,000.00 per month (subject to review from time to time). The aggregate air-conditioning charges payable on a monthly basis in respect of the Licences shall be approximately HK$13,400.00 per month (subject to review from time to time).

Upon the expiry of the First Renewed Period on 6 July 2010, the Tenant exercised the 2nd Option to renew the sub-lease of the ifc Premises (the "Second Renewed Sub-Lease") and certain storerooms and advertisement lightbox(es) at the ifc Mall were also licenced by the Landlord to the Tenant (the "Licences") upon the terms as detailed below:

Term	:	Three years commencing from 7 July 2010 to 6 July 2013, and for the Licences, on an annual basis, subject to termination upon termination of the Second Renewed Sub-Lease.
Rent and other charges	:	The Second Renewed Sub-Lease is at a basic rent of HK$697,161.60 plus the Turnover Rent (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings (if any)); and the Licences are at an aggregate licence fee of HK$31,630.00 (inclusive of management charges but exclusive of air-conditioning charges, rates, electricity, tax and other outgoings (if any)) per month; which shall both be payable on a monthly basis; and

The aggregate air-conditioning and management charges and promotional levy payable on monthly basis in respect of the Second Renewed Sub-Lease shall be approximately HK$328,408.30 per month (subject to review from time to time) and the extra air-conditioning charges at a rate of HK$1,216.00 per day (subject to review from time to time). The aggregate air-conditioning charges payable on a monthly basis in respect of the Licences shall be approximately HK$21,814.22 per month (subject to review from time to time).

As the Landlord is an associate of Henderson Land Development Company Limited ("Henderson Land"), a substantial shareholder of the Company, it is a connected person of the Company under Rule 14A.11 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the entering into of the Confirmation of Sub-Lease constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group has commenced operating two up-market restaurants at the ifc Mall since their soft openings on 6 February 2005 and the Directors (including independent non-executive Directors) are of the opinion that the ifc Mall, being a landmark in Hong Kong and located in the city center, is an ideal location for the Company to continue to operate the two up-market restaurants and to bring profits to the Group. The storerooms and the advertisement lightbox(es) under the Licences are used in connection with the restaurant business and the Directors are of the opinion that the use of the storerooms and the advertisement lightbox(es) are desirable for the operation of the restaurant business in ifc Mall.

(2) On 15 August 2008, the Group entered into the following agreements with Henderson Real Estate Agency Limited ("HREAL") which constituted continuing connected transactions for the Company:

(i) A tenancy agreement (the "Tenancy Agreement") entered into between Shahdan Limited ("Shahdan") as landlord and HREAL as tenant;

(ii) A licence agreement (the "Podium Roof Licence Agreement") entered into between Shahdan as licensor and HREAL as licensee; and

(iii) A licence agreement (the "Fan Room Licence Agreement") entered into between Shahdan as licensor and HREAL as licensee.

Details of the terms and conditions of the agreements are set out as follows:

Details of the Tenancy Agreement

Premises	:	Shop 3013, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 3013 Premises").
Term	:	Three years commencing from 16 June 2008.

Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$468,000.00, subject to the construction of the standard provision in the Shop 3013 Premises in relation to inter alia, shop front, leased boundary walls, ceiling, floor etc. (the "Landlord's Standard Provisions");
		(b) aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated building manager) is HK$73,949.00;
		(c) monthly promotion contribution, being 1% of the monthly rent of the Shop 3013 Premises (subject to periodic review by Shahdan) is HK$4,680.00;
		(d) Government rates as per Government's assessment;
		(e) vetting fee payable to Shahdan for vetting HREAL's decoration plans is HK$14,415.00;
		(f) debris disposal fee payable to Shahdan upon signing of the Tenancy Agreement is HK$28,830.00; and
		(g) professional fees, including Shahdan's project architects, if any, in approving HREAL's decoration plans.
Rent-free period	:	Rent-free period for 2 months starting from 16 June 2008 during which HREAL is not obliged to pay rent but has to pay for the management fee, air-conditioning charges, Government rates and promotion contribution.
User	:	To be used as a property agency only.

Details of the Podium Roof Licence Agreement

Podium Roof	:	Portion of Podium Roof, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years commencing from 16 June 2008.

Licence fee and other charges	:	(a) licence fee payable on a monthly basis (exclusive of Government rates and management fee) during the term is HK$162,000.00; (b) monthly management fee (subject to the periodic review by Shahdan or its designated building manager) is HK$8,901.20; (c) vetting fee payable to Shahdan for vetting HREAL's decoration plans is HK$12,449.00; (d) Government rates as per Government's assessment; (e) debris disposal fee payable to Shahdan upon signing of the Podium Roof Licence Agreement is HK$24,898.00; and (f) professional fees, including Shahdan's project architects, if any, in approving HREAL's decoration plans.
Licence fee-free Period	:	Licence fee-free period for 2 months starting from 16 June 2008 during which HREAL is not obliged to pay licence fee but has to pay for the management fee and Government rates.
User	:	Restricted to legal usage only.

Details of the Fan Room Licence Agreement

Fan Room	:	Fan Room, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years commencing from 16 June 2008.
Licence fee and other charges	:	(a) licence fee payable on a monthly basis (exclusive of Government rates) during the term is HK$32,000.00; (b) Government rates as per Government's assessment; (c) vetting fee payable to Shahdan for vetting HREAL's decoration plans is HK$2,440.00; (d) debris disposal fee payable to Shahdan upon signing of the Fan Room Licence Agreement is HK$4,880.00; and (e) professional fees, including Shahdan's project architects, if any, in approving HREAL's decoration plans.

Licence fee-free Period	:	Licence fee-free period for 2 months starting from 16 June 2008 during which HREAL is not obliged to pay licence fee but has to pay for the Government rates.
User	:	Restricted to legal usage only.

Pursuant to the Tenancy Agreement, Shahdan is responsible to provide for the Landlord's Standard Provisions, which shall be carried out by HREAL. HREAL will engage Heng Tat Construction Company Limited, a wholly-owned subsidiary of Henderson Land, to carry out the Landlord's Standard Provisions and Shahdan will reimburse HREAL for actual expenses incurred thereof up to a maximum amount of HK$1,789,078.00.

HREAL is a wholly-owned subsidiary of Henderson Land, which in turn is a substantial shareholder of the Company holding approximately 44.21% interests in the Company. Accordingly, HREAL is a connected person of the Company, thereby rendering the construction of the Landlord's Standard Provisions in the Shop 3013 Premises a connected transaction for the Company and the Tenancy Agreement, the Podium Roof Licence Agreement and the Fan Room Licence Agreement continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(3) On 16 March 2009, a lease (the "Citistore Lease") was entered into between Shahdan as landlord and Citistore Limited ("Citistore") as tenant, whereby Citistore had agreed to lease from Shahdan the premises upon the terms as detailed below:

Citistore Premises	:	Shop 2004, 2nd Floor, Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years commencing from 3 October 2008 to 2 October 2011.
Rent and other charges	:	(a) Basic rent payable on a monthly basis during the term is HK$138,000.00 (payable in advance on the 1st day of each month) plus the Annual Additional Turnover Rent as mentioned below (payable in arrear) (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution); The "Annual Additional Turnover Rent" refers to the additional turnover rent for each period of twelve (12) months, which equals to the amount of 10% of the turnover of Citistore's business during the relevant twelve (12) months' period less the annual basic rent for the same twelve (12) months (applicable only where the aforesaid 10% of the turnover exceeds the aforesaid annual basic rent); (b) Government rates (subject to Government's review) is HK$14,250.00 per quarter (payable on the 1st day of January, April, July and October); (c) aggregate monthly management fee and air-conditioning charges (subject to periodic review by Shahdan or its building manager) is HK$32,411.30 (payable in advance on the 1st day of each month);

(d) monthly promotion contribution, being 1% of the monthly basic rent as referred to in (a) above (subject to periodic review by Shahdan) (payable in advance on the 1st day of each month); and

(e) monthly licence fee for the licence of lightboxes numbered 11 and 12 of the external wall above the main entrance of the Miramar Shopping Centre shall be HK$6,000.00 (payable in advance on the 1st day of each month).

User	:	To be used as retail shop only.

As Citistore is a wholly-owned subsidiary of Henderson Land, which in turn a substantial shareholder of the Company. Accordingly, Citistore is a connected person of the Company and the entering into of the Citistore Lease constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(4) On 24 July 2009, a lease (the "1817-18 Lease") was entered into between Shahdan as landlord and Union Medical Limited ("Union Medical") as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Premises	:	Units 1817-18, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1817-18 Premises").
Term	:	Three years commencing from 12 June 2009 to 11 June 2012.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$65,000.00; and The aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated management company of Miramar Tower) is HK$10,171.80.

Union Medical is a company indirectly controlled by the private trust of the family of Dr Lee Shau Kee. Accordingly, Union Medical is a connected person of the Company thereby rendering the 1817-18 Lease a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(5) On 2 February 2010, a lease (the "1803-07 and 1812 Lease") was entered into between Shahdan as landlord and Union Medical as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Premises	:	Units 1803, 1804-06, 1807 and 1812, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1803-07 and 1812 Premises").
Term	:	Three years commencing from 1 February 2010 to 31 January 2013.

Rent and other charges	:	The total rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$361,000.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$64,247.90; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	Three months commencing from 1 February 2010 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1803-07 and 1812 Premises.

As Union Medical is a connected person of the Company, the entering into of the 1803-07 and 1812 Lease constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(6) On 26 February 2010, the Group entered into the following agreements with HREAL which constituted continuing connected transactions for the Company:

(i) A tenancy agreement (the "First Tenancy Agreement") entered into between Shahdan as landlord and HREAL as tenant;

(ii) A tenancy agreement (the "Second Tenancy Agreement") entered into between Shahdan as landlord and HREAL as tenant; and

(iii) A licence agreement (the "Signage A Licence Agreement") entered into between Shahdan as licensor and HREAL as licensee.

Details of the terms and conditions of the agreements are set out as follows:

Details of the First Tenancy Agreement

Premises	:	Shop 503A-C, 5/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 503A-C Premises").
Term	:	For a term of eighteen months commencing from 5 February 2010 to 4 August 2011, both days inclusive, provided that both the landlord and the tenant shall have the right to early terminate this tenancy agreement by giving a notice of not less than three months to other party after 5 November 2010.

Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$421,000.00; (b) Government rates (subject to Government's review) is HK$59,250.00 per quarter; (c) aggregate monthly management fee and air-conditioning charges (subject to the review at such time to be determined by Shahdan or its designated management company of the Shop 503A-C Premises) is HK$76,528.80; and (d) monthly promotion contribution, being 1% of the monthly rent of the Shop 503A-C Premises, that is, HK$4,210.00, subject to periodic review by Shahdan.
User	:	To be used as a property agency only.

Details of the Second Tenancy Agreement

Premises	:	Office units 609-12, 6/F., Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 609-12 Premises").
Term	:	A fixed term of eighteen months commencing from 5 February 2010 to 4 August 2011, both days inclusive. Both the landlord and the tenant shall have the right to early terminate this tenancy agreement by serving three months' prior written notice to other party after 5 November 2010.
Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee and air-conditioning charges) during the term is HK$232,000.00; (b) Government rates (subject to Government's review) is HK$38,250.00 per quarter; and (c) aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated management company of Miramar Tower 609-12 Premises) is HK$44,574.00.
User	:	To be used under the name of HREAL only.

Details of the Signage A Licence Agreement

Signage A	:	Signage A on the external wall facing Nathan Road of Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	A term of eighteen months commencing from 1 March 2010 to 31 August 2011 subject to the right of early termination. Both the licensor and the licensee shall have the right to early terminate this licence agreement by giving a notice not less than 3 months after 1 December 2010.

Licence fee and other charges	:	(a) The licence fee (inclusive of electricity charges) payable on a monthly basis during the term is HK$50,000.00; and (b) Government rates (subject to Government's review) is HK$4,050.00 per quarter.
User	:	To be used for advertising the trade name of the licensee only.

As HREAL is a connected person of the Company, the entering into of the First Tenancy Agreement, Second Tenancy Agreement and Signage A Licence Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(7) On 22 June 2010, the Group entered into the following agreements with Union Medical which constituted continuing connected transactions for the Company:

(i) A lease (the "1801-02 Lease") entered into between Shahdan as landlord and Union Medical as tenant; and

(ii) A lease (the "1808 and 1813 Lease") entered into between Shahdan as landlord and Union Medical as tenant.

Details of the terms and conditions of the leases are set out as follows:

Details of the 1801-02 Lease

Premises	:	Units 1801-02, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1801-02 Premises").
Term	:	Three years commencing from 1 June 2010 to 31 May 2013.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$130,000.00; and The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$24,424.00.
Sublet	:	The tenant shall have the right to sublet a part of the Miramar Tower 1801-02 Premises during the term to Paragon Clinic Limited, which is a third party (not being a connected person of the Company).

Details of the 1808 and 1813 Lease

Premises	:	Units 1808 and 1813, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1808 and 1813 Premises").
Term	:	Three years commencing from 15 June 2010 to 14 June 2013.
Rent and other charges	:	The total rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$133,000.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$23,392.70; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	Two months commencing from 15 June 2010 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1808 and 1813 Premises.

As Union Medical is a connected person of the Company, the entering into of the 1801-02 Lease and the 1808 and 1813 Lease constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(8) On 26 August 2010, a confirmation of lease (the "Confirmation of Lease") was entered into between Profit Advantage Limited, a wholly owned subsidiary of the Company as tenant (the"Tenant") and 北京高億房地產開發有限公司 (Beijing Gaoyi Property Development Co., Ltd.*) as Landlord (the "Landlord"), whereby the Landlord agreed to lease to the Tenant the premises upon the terms as detailed below:

Premises	:	Unit Nos. 201, 202, 203, 204 and 205 on Level Two of West Tower, World Financial Centre, No. 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, the People's Republic of China ("PRC"), of approximately 2,688.45 square meter (the "wfc Premises").
Term	:	Initial term of three years commencing from 15 November 2010 with a first option (the "1st Option") exercisable by the Tenant at the expiry of the initial lease period on 14 November 2013 to renew the lease at the wfc Premises for three years, and a second option exercisable by the Tenant to renew the lease of the wfc Premises for a further two years if the 1st Option is exercised by the Tenant.

Rent and other charges	:	The rent payable on monthly basis (exclusive of management fee and other related charges) during the term is the basic rent with reference to the net area of the wfc Premises at the rate of RMB130 (approximately HK$149.40) per square meter together with turnover rent representing the amount by which 7% of the gross turnover before tax per month derived from the business conducted at the wfc Premises (excluding 10% service charge, discounts and/or other rebates) exceeds the basic rent per month (the "Turnover Rent"); Notwithstanding the above, it is however provided that for the period from the date of commencement of the initial term and prior to the date before the leasing rate of the office space at the World Financial Centre having reached 50%, the basic rent payable per month for the wfc Premises shall only be at a basic rent calculated at the rate of RMB65 (approximately HK$74.70) per square meter per month and no Turnover Rent shall be required to be paid during such period. Upon the leasing rate having reached 50%, the rent payable per month shall revert to the basis as mentioned in the foregoing paragraph; and Management fee (exclusive of promotional levy) payable on monthly basis during the term is at the rate of RMB50 (approximately HK$57.47) per square meter with reference to the net area of the wfc Premises (subject to review from time to time by the Landlord or the property management company appointed by the Landlord).
Renovation period and rent-free period	:	Renovation period of four months starting from 15 November 2010 to 14 March 2011, and rent free period of a further three months starting from 15 March 2011 to 14 June 2011, during which the Tenant is not obliged to pay rent but has to pay for the management fee and all other related charges.
User	:	The wfc Premises shall be used for operating an up-market restaurant.

As the Landlord is an indirect wholly owned subsidiary of Henderson Land, a substantial shareholder of the Company, it is an associate of Henderson Land and thus a connected person of the Company under the Listing Rules. The entering into of the Confirmation of Lease therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Profit Advantage Limited has incorporated a wholly-owned subsidiary in the PRC known as 北京國金軒餐飲有限公司 (Beijing Cuisine Cuisine Restaurant Company Limited*, the "Beijing Cuisine Cuisine") which owns and operates an up-market restaurant at the wfc Premises. After the obtaining of the business licence of Beijing Cuisine Cuisine in the PRC, Profit Advantage Limited, Beijing Cuisine Cuisine and the Landlord has entered into a Novation Agreement whereby Profit Advantage Limited has novated all its rights and obligations under the lease of the wfc Premises to Beijing Cuisine Cuisine to the effect that Beijing Cuisine Cuisine shall become the tenant.

The directors (including independent non-executive directors) are of the opinion that the World Financial Centre is an ideal location for the Company to operate the up-market restaurant and to bring profits to the Group.

* For identification only

(9) On 17 September 2010, the Group entered into the following agreements with Union Medical which constituted continuing connected transactions for the Company:

(i) A lease (the "1814 Lease") entered into between Shahdan as landlord and Union Medical as tenant; and

(ii) A lease (the "1815 Lease") entered into between Shahdan as landlord and Union Medical as tenant.

Details of the terms and conditions of the leases are set out as follows:

Details of the 1814 Lease

Premises	:	Unit 1814, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1814 Premises").
Term	:	Three years commencing from 16 August 2010 to 15 August 2013.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$31,000.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$5,222.20; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	One month commencing from 16 August 2010 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1814 Premises.

Details of the 1815 Lease

Premises	:	Unit 1815, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1815 Premises").
Term	:	Three years commencing from 16 September 2010 to 15 September 2013.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$21,500.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$3,579.10; and

		Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	One month commencing from 16 September 2010 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1815 Premises.

As Union Medical is a connected person of the Company, the entering into of the 1814 Lease and the 1815 Lease constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(10) On 7 December 2010, the Group entered into the following agreements with HREAL which constituted continuing connected transactions for the Company:

(i) A tenancy agreement (the "Renewal Tenancy Agreement") entered into between Shahdan as landlord and HREAL as tenant;

(ii) A licence agreement (the "Renewal Podium Roof Licence Agreement") entered into between Shahdan as licensor and HREAL as licensee; and

(iii) A licence agreement (the "Renewal Fan Room Licence Agreement") entered into between Shahdan as licensor and HREAL as licensee.

Details of the terms and conditions of the agreements are set out as follows:

Details of the Renewal Tenancy Agreement

Premises	:	Shop 3013, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 3013 Premises").
Term	:	Two years commencing from 16 June 2011 to 15 June 2013, both days inclusive, provided that the tenant shall have the right to early terminate this tenancy by serving six months' prior written notice to the landlord.
Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$485,000.00;
		(b) aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated building manager) is HK$77,841.00;
		(c) monthly promotion contribution, being 1% of the monthly rent of the Shop 3013 Premises (subject to periodic review by Shahdan) is HK$4,850.00; and
		(d) Government rates as per Government's assessment.

User	:	To be used as a property agency only.

Details of the Renewal Podium Roof Licence Agreement

Podium Roof	:	Portion of Podium Roof, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Two years commencing from 16 June 2011 to 15 June 2013, both days inclusive provided that the licensee shall have the right to early terminate this license by serving six months' prior written notice to the licensor.
Licence fee and other charges	:	(a) licence fee payable on a monthly basis (exclusive of Government rates and management fee) during the term is HK$162,000.00;
		(b) monthly management fee (subject to the periodic review by Shahdan or its designated building manager) is HK$8,901.20; and
		(c) Government rates as per Government's assessment.
User	:	Restricted to legal usage only.

Details of the Renewal Fan Room Licence Agreement

Fan Room	:	Fan Room, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Two years commencing from 16 June 2011 to 15 June 2013, both days inclusive provided that the licensee shall have the right to early terminate this license by serving six months' prior written notice to the licensor.
Licence fee and other charges	:	(a) Licence fee payable on a monthly basis (exclusive of Government rates) during the term is HK$32,000.00; and
		(b) Government rates as per Government's assessment.
User	:	Restricted to legal usage only.

As HREAL is a connected person of the Company, the entering into of the Renewal Tenancy Agreement, Renewal Podium Roof Licence Agreement and Renewal Fan Room Licence Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(11) On 12 August 2011, the Group entered into the following agreements with HREAL which constituted continuing connected transactions for the Company:

(i) A tenancy agreement (the "New Tenancy Agreement") entered into between Shahdan as landlord and HREAL as tenant;

(ii) A tenancy agreement (the "Renewal First Tenancy Agreement") entered into between Shahdan as landlord and HREAL as tenant;

(iii) A tenancy agreement (the "Renewal Second Tenancy Agreement") entered into between Shahdan as landlord and HREAL as tenant; and

(iv) A licence agreement (the "Renewal Signage A Licence Agreement") entered into between Shahdan as licensor and HREAL as licensee.

Details of the terms and conditions of the agreements are set out as follows:

Details of the New Tenancy Agreement

Premises	:	Shop 501-502, 5/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 501-502 Premises").
Term	:	Two years eight months and four days commencing from 1 December 2011 to 4 August 2014, both days inclusive. Both the landlord and the tenant shall have the right to early terminate the lease by giving a notice of not less than three months to the other party after 4 February 2013.
Rent-free period	:	Three months commencing from and inclusive of 1 December 2011.
Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$742,900.00;
		(b) Government rates (subject to Government's review) is HK$83,700.00 per quarter;
		(c) aggregate monthly management fee and air-conditioning charges (subject to periodic review by Shahdan or its designated management company of the Shop 501-502 Premises) is HK$161,531.80;
		(d) monthly promotion contribution, being 1% of the monthly rent of the Shop 501-502 Premises, that is HK$7,429.00 subject to periodic review by Shahdan; and
		(e) decoration plan vetting fee is HK$27,707.00 and debris disposal fee is HK$55,414.00.

Details of the Renewal First Tenancy Agreement

Premises	:	Shop 503A-C, 5/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 503A-C Premises").
Term	:	Three years commencing on 5 August 2011 to 4 August 2014, both days inclusive. Both the landlord and the tenant shall have the right to early terminate the lease by giving a notice of not less than three months to the other party after 4 February 2013.
Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$458,000.00;
		(b) Government rates (subject to Government's review) is HK$71,700.00 per quarter;
		(c) aggregate monthly management fee and air-conditioning charges (subject to the review at such time to be determined by Shahdan or its designated management company of the Shop 503A-C Premises) is HK$82,622.80; and
		(d) monthly promotion contribution, being 1% of the monthly rent of the Shop 503A-C Premises, that is HK$4,580.00, subject to periodic review by Shahdan.

Details of the Renewal Second Tenancy Agreement

Premises	:	Office units 609-12, 6/F., Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 609-12 Premises").
Term	:	One year commencing from 5 August 2011 to 4 August 2012, both days inclusive. Both the landlord and the tenant shall have the right to early terminate the tenancy agreement by giving a notice of not less than one month to the other party after 4 December 2011.
Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee and air-conditioning charges) during the term is HK$292,000.00;
		(b) Government rates (subject to Government's review) is HK$36,300.00 per quarter; and
		(c) aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated management company of Miramar Tower 609-12 Premises) is HK$48,144.00.

Details of the Renewal Signage A Licence Agreement

Signage A	:	Signage A on the external wall facing Nathan Road of Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

Term	:	Three years commencing from 1 September 2011 to 31 August 2014 subject to the right of early termination. Both the licensor and the licensee shall have the right to early terminate the license by giving a notice not less than three months after 29 February 2012.
Licence fee and other charges	:	(a) the licence fee (inclusive of electricity charges) payable on a monthly basis during the term is HK$55,000.00; and (b) Government rates (subject to Government's review) is HK$7,500.00 per quarter.
User	:	To be used for advertising the trade name of the licensee only.

As HREAL is a connected person of the Company, the entering into of the New Tenancy Agreement, Renewal First Tenancy Agreement, Renewal Second Tenancy Agreement and Renewal Signage A Licence Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(12) On 30 September 2011, a sale and purchase agreement (the "Agreement") was entered into between Napoleon Restaurant Limited ("Napoleon"), a wholly-owned subsidiary of the Company, as vendor and Best Homes Limited ("Best Homes") as purchaser, whereby Napoleon agreed to sell to Best Homes one ordinary share of HK$1.00 of Booneville Company Limited ("Booneville") and the shareholder's loan owed by Booneville to Napoleon immediately before completion of the Agreement at an aggregate initial consideration of HK$883,886.39 (subject to adjustments pursuant to the terms of the Agreement). The adjusted consideration was determined to be HK$959,545.50 which will be fully paid by Best Homes to Napoleon.

Best Homes is a company indirectly controlled by the private trust of the family of Dr. Lee Shau Kee, who is an executive director of the Company. Accordingly, Best Homes is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, therefore the transaction contemplated under the Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(13) On 29 December 2011, a lease (the "1816 Lease") was entered into between Shahdan as landlord and Union Medical as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Premises	:	Unit 1816, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1816 Premises").
Term	:	One year and nine months, commencing from 16 December 2011 to 15 September 2013.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$49,000.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$6,074.70; and

		Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	One month commencing from 16 December 2011 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1816 Premises.
User	:	To be used as a clinic only and staffed by any combination of the specialist physicians specializing in Internal Medicine.

As Union Medical is a connected person of the Company, the entering into of the 1816 Lease constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the 1817-18 Lease, 1803-07 and 1812 Lease, 1801-02 Lease, 1808 and 1813 Lease, 1814 Lease, 1815 Lease and 1816 Lease were entered into by Shahdan with the same connected person and all seven leases were in respect of the premises in the same building and on the same floor, they were regarded as related transactions and therefore were treated as if they were one transaction pursuant to Rule 14A.25 of the Listing Rules.

Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed that they have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the above relevant agreements which terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed in writing to the board of directors of the Company that they:

(i) have received the approval of the board of directors of the Company;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the terms of the above relevant agreements; and

(iv) have not exceeded the cap amount of such transactions for the year ended 31 December 2011.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the material interest that some of the directors held in the contracts under the paragraph of the continuing connected transactions and connected transaction, there were no contracts of significance which subsisted during or at the end of the financial year in which the Company or any subsidiary was a party and in which a director was interested, directly or indirectly, and the director's interest was material.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following directors are considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Dr David Sin Wai Kin is also a director of New World Development Company Limited. The principal activities of this group include property investment, hotel management and operation and other related services.

2. Dr Lee Shau Kee, Mr Lee Ka Shing and Mr Colin Lam Ko Yin are also directors of Henderson Development and Henderson Land which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.

3. Mr Eddie Lau Yum Chuen and Mr Alexander Au Siu Kee are also directors of Henderson Land which, through its subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.

4. Dr Lee Shau Kee, Mr Colin Lam Ko Yin, Mr Eddie Lau Yum Chuen, Mr Norman Ho Hau Chong and Mr Alexander Au Siu Kee are also directors of Hong Kong Ferry (Holdings) Company Limited, the principal activities of this group include property investment, hotel management and operation, travel and other related services.

5. Mr Thomas Liang Cheung Biu is the Group Chief Executive of Wideland Investors Limited which, through its subsidiaries, is engaged in the ownership and management of investment properties. He is also a director of New World Development Company Limited and Milford (International) Investment Company Limited, which are also engaged in the businesses of property development, hotel, travel and food and beverages.

6. Mr Howard Yeung Ping Leung is the Chairman of King Fook Holdings Limited and also director of New World Development Company Limited, Chi Kai Company Limited, New Lee Yuen Investment Company Limited and Wui Fung Lee Investment Company Limited, which themselves or through their subsidiaries are also engaged in the like business of the Company.

7. Mr Dominic Cheng Ka On is also engaged in the business of wine selling.

As the board of directors of the Company is independent from the boards of the above-mentioned companies and none of the above directors controls the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of those companies.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2011, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2011 are set out in note 23 to the financial statements.

PARTICULARS OF LOAN CAPITAL, CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS ISSUED BY THE COMPANY AND ITS SUBSIDIARIES

The Company and its subsidiaries have not issued, during the year ended 31 December 2011, any loan capital, convertible securities, warrants or options.

BORROWING COST CAPITALISATION

No borrowing cost was capitalised by the Company and its subsidiaries during the year ended 31 December 2011 (2010: HK$Nil).

SHARE CAPITAL

Details of the share capital during the year ended 31 December 2011 are set out in note 26 to the financial statements.

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.

RESERVES

Movements in reserves during the year ended 31 December 2011 are set out in note 26(a) to the financial statements.

GROUP'S FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 137.

GROUP PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 138 to 140.

CORPORATE FINANCE

The Group maintains its conservative financial policy, with high liquidity and low gearing. Gearing, calculated by dividing consolidated total borrowings by consolidated total shareholders' equity, is only 17% as at 31 December 2011 (2010: 10%).

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 operation in mainland China as well as certain bank deposits which are denominated in RMB.

Majority of the Group's financing facilities obtained are denominated in Hong Kong dollars and interests on bank loans and borrowings are chargeable mainly based on certain interest margin over the Hong Kong Interbank Offer Rate which is therefore of floating rate in nature.

The Group has adequate credit facilities available to fund its development programme for the foreseeable future. At 31 December 2011, total available facilities amounted to approximately HK$2.1 billion (2010: approximately HK$1.5 billion), and 78% of that (2010: 58%) were utilised. At 31 December 2011, consolidated net borrowings were approximately HK$0.43 billion (2010: HK$0.44 billion), of which none was secured borrowings (2010: none).

EMPLOYEES

As at 31 December 2011, the Company had a total of about 1,680 full-time employees, including 1,520 employed in Hong Kong, 160 employed in the PRC and the United States of America.

It is the policy of the Company to remunerate employees in a manner that supports the achievement of the Company mission, vision and strategic objectives whilst attracting, retaining and motivating qualified staff members and rewarding high levels of performance. The guiding principles of the policy includes the maintenance of internal equity and external competitiveness. The Company remunerates all staff fairly in terms of their roles and responsibilities, merit and competencies within the organisation. On the other hand, the total remuneration of the employees are in line with a labour market peer group of companies which engage in comparable activities and/or are similar in terms of size and/or complexity. Also, the remuneration and reward to employees are performance driven through the implementation of performance management system and/or performance-based incentive and discretionary bonus schemes.

TRAINING & DEVELOPMENT

To support the development and transition of the business in the area of the human capital in the organization, we adopted a "S.E.E." development approach (see, experience and exposures) in 2011. It is a planned and systematic approach, enabling our team members at different levels to see the future development of the organization, experience and being involved in the process of business strategy formulation and performance management, together with diversified exposures to develop their leadership skills. It includes (1) *Strategic Focus* – a joint goal setting exercise to build a platform for effective communication of business strategy and focus (2) *Management Development for leaders* – the Strategic Hospitality Management Program by Cornell University & Leadership for Change Program were offered to team leaders for management development purpose; (3) *Employee Engagement* – the introduction of organization guiding principles, the organization-wide engagement survey and follow-up reinforcement activities by management team to enhance communication and engagement between the top and all levels of team members. (4) *Talent Development* – a brand-new 2 years' management associates program were open for internal and external applicants. Leadership Development program were offered to groom them to be the change agents and future team leaders in the organization.

Besides, with the continuous efforts of people development, we have been accredited as Manpower Developers 2011-2013 by Employee Retraining Board and 5+Years Caring Company by the HK Council of Social Service 2011. In 2012, we will continue to focus on building a highly effective team through communication and coaching to enhance productivity for business.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2011 and discussed with internal audit executive and independent external auditors in respect of matters on auditing, internal control and financial report of the Group.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General meeting is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
LEE SHAU KEE
Chairman

Hong Kong, 20 March 2012

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Miramar Hotel and Investment Company, Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Miramar Hotel and Investment Company, Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 66 to 136, 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 financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 financial statements are free from material misstatement.

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

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

Opinion

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 20 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	10	**2,495,924**	2,112,119
Cost of inventories		**(220,017)**	(118,880)
Staff costs	3(a)	**(397,058)**	(333,493)
Utilities, repairs and maintenance and rent		**(136,478)**	(108,415)
Tour and ticketing costs		**(954,171)**	(879,016)
Gross profit		**788,200**	672,315
Other revenue		**52,020**	43,196
Operating and other expenses		**(215,444)**	(196,255)
Depreciation and amortisation		**(100,414)**	(87,681)
		524,362	431,575
Finance costs	3(b)	**(15,659)**	(11,784)
Share of profits less losses of associates		**(531)**	3,224
Share of loss of a jointly controlled entity		**(719)**	–
		507,453	423,015
Reversal of provision for properties held for resale		**2,278**	20,652
Gain on disposal of available-for-sale securities		**–**	16,009
Net realised and unrealised losses on trading securities		**(14,938)**	–
Net increase in fair value of investment properties	11(a)	**914,580**	409,336
Profit before taxation	3	**1,409,373**	869,012
Taxation			
– Current	4(a)	**(61,817)**	(58,248)
– Deferred	4(a)	**(19,050)**	(5,343)
Profit for the year		**1,328,506**	805,421
Attributable to:			
Shareholders of the Company	7	**1,325,310**	784,307
Non-controlling interests		**3,196**	21,114
		1,328,506	805,421
Earnings per share – basic and diluted	9	**HK$2.30**	HK$1.36

The notes on pages 74 to 136 form an integral part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 8(a).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**1,328,506**	805,421
Other comprehensive income for the year (after tax and reclassification adjustments):		
Exchange differences on translation of the financial statements of overseas subsidiaries	**39,851**	29,050
Changes in fair value of available-for-sale securities	**1,108**	11,048
Transferred to consolidated income statement on disposal of available-for-sale securities	**–**	(16,009)
	40,959	24,089
Total comprehensive income for the year	**1,369,465**	829,510
Attributable to:		
Shareholders of the Company	**1,360,031**	802,812
Non-controlling interests	**9,434**	26,698
Total comprehensive income for the year	**1,369,465**	829,510

There is no tax effect relating to the above component of the comprehensive income.

The notes on pages 74 to 136 form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Fixed assets			
– Investment properties	11(a)	**9,653,219**	8,712,627
– Other fixed assets	11(a)	**931,814**	732,246
		10,585,033	9,444,873
Interest in associates	13	**3,844**	6,865
Interest in a jointly controlled entity	14	**5,599**	1,141
Available-for-sale securities	15	**7,121**	6,013
Deferred tax assets	25(b)(iii)	**22,746**	18,138
		10,624,343	9,477,030
Current assets			
Properties under development for sale	16	**239,767**	241,933
Inventories	17	**156,098**	160,358
Trade and other receivables	18	**320,073**	208,351
Available-for-sale securities	15	**30,939**	–
Trading securities	19	**79,277**	–
Cash and bank balances	20	**1,291,971**	479,985
Tax recoverable	25(a)	**2,454**	2,045
		2,120,579	1,092,672
Current liabilities			
Trade and other payables	21	**(558,025)**	(417,191)
Interest-bearing borrowings	23	**(240,000)**	(214,911)
Sales and rental deposits received		**(129,085)**	(116,408)
Tax payable	25(a)	**(24,006)**	(17,160)
		(951,116)	(765,670)
Net current assets		**1,169,463**	327,002
Total assets less current liabilities carried forward		**11,793,806**	9,804,032

Consolidated Balance Sheet
At 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Total assets less current liabilities brought forward		**11,793,806**	9,804,032
Non-current liabilities			
Interest-bearing borrowings	23	**(1,423,323)**	(647,492)
Deferred liabilities	24	**(124,616)**	(86,627)
Amounts due to holders of non-controlling interests of a subsidiary	22	**(55,666)**	(54,040)
Deferred tax liabilities	25(b)(iii)	**(177,734)**	(150,918)
		(1,781,339)	(939,077)
NET ASSETS		**10,012,467**	8,864,955
CAPITAL AND RESERVES			
Share capital	26(b)	**404,062**	404,062
Reserves		**9,503,518**	8,356,882
Total equity attributable to shareholders of the Company		**9,907,580**	8,760,944
Non-controlling interests		**104,887**	104,011
TOTAL EQUITY		**10,012,467**	8,864,955

Approved and authorised for issue by the board of directors on 20 March 2012.

LEE SHAU KEE
Chairman

LEE KA SHING
Managing Director

The notes on pages 74 to 136 form an integral part of these financial statements.

Balance Sheet

At 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Fixed assets			
– Investment properties	11(b)	**210,056**	185,969
– Other fixed assets	11(b)	**17,796**	20,588
		227,852	206,557
Interest in subsidiaries	12	**3,071,287**	3,863,622
Interest in associates	13	**303**	353
		3,299,442	4,070,532
Current assets			
Inventories	17	**5,233**	3,275
Trade and other receivables	18	**21,432**	15,131
Cash and bank balances	20	**1,014,842**	16,840
Tax recoverable	25(a)	**502**	–
		1,042,009	35,246
Current liabilities			
Trade and other payables	21	**(81,401)**	(68,332)
Interest-bearing borrowings	23	**(100,000)**	–
Deposits received		**(3,609)**	(1,674)
Tax payable	25(a)	**–**	(315)
		(185,010)	(70,321)
Net current assets/(liabilities)		**856,999**	(35,075)
Total assets less current liabilities		**4,156,441**	4,035,457
Non-current liabilities			
Amounts due to subsidiaries	12	**(1,441,990)**	(1,254,307)
Interest-bearing borrowings	23	**(184,526)**	(249,192)
Deferred liabilities	24	**–**	(2,125)
Deferred tax liabilities	25(b)(iii)	**(7,448)**	(7,106)
		(1,633,964)	(1,512,730)
NET ASSETS		**2,522,477**	2,522,727
CAPITAL AND RESERVES			
Share capital		**404,062**	404,062
Reserves		**2,118,415**	2,118,665
TOTAL EQUITY	26(a)	**2,522,477**	2,522,727

Approved and authorised for issue by the board of directors on 20 March 2012.

LEE SHAU KEE
Chairman

LEE KA SHING
Managing Director

The notes on pages 74 to 136 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		Attributable to shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010		404,062	287,628	(91,086)	76,475	304,827	8,410	7,111,969	8,102,285	85,998	8,188,283
Changes in equity for 2010:											
Profit for the year		–	–	–	–	–	–	784,307	784,307	21,114	805,421
Other comprehensive income		–	–	–	23,466	–	(4,961)	–	18,505	5,584	24,089
Total comprehensive income		–	–	–	23,466	–	(4,961)	784,307	802,812	26,698	829,510
Final dividends approved in respect of the previous period	8(b)	–	–	–	–	–	–	(57,723)	(57,723)	–	(57,723)
Interim dividends declared in respect of the current year	8(a)	–	–	–	–	–	–	(86,585)	(86,585)	–	(86,585)
Liquidation of subsidiaries		–	–	–	–	–	–	–	–	(2,685)	(2,685)
Increase in non-controlling interests attributable to a decrease in shareholding of a subsidiary		–	–	–	–	–	–	155	155	(155)	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(5,845)	(5,845)
Balance at 31 December 2010		404,062	287,628	(91,086)	99,941	304,827	3,449	7,752,123	8,760,944	104,011	8,864,955
Balance at 1 January 2011		**404,062**	**287,628**	**(91,086)**	**99,941**	**304,827**	**3,449**	**7,752,123**	**8,760,944**	**104,011**	**8,864,955**
Changes in equity for 2011:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**1,325,310**	**1,325,310**	**3,196**	**1,328,506**
Other comprehensive income		**–**	**–**	**–**	**33,613**	**–**	**1,108**	**–**	**34,721**	**6,238**	**40,959**
Total comprehensive income		**–**	**–**	**–**	**33,613**	**–**	**1,108**	**1,325,310**	**1,360,031**	**9,434**	**1,369,465**
Final dividends approved in respect of the previous year	8(b)	**–**	**–**	**–**	**–**	**–**	**–**	**(126,991)**	**(126,991)**	**–**	**(126,991)**
Interim dividends declared in respect of the current year	8(a)	**–**	**–**	**–**	**–**	**–**	**–**	**(86,585)**	**(86,585)**	**–**	**(86,585)**
Liquidation of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(586)**	**(586)**
Increase in non-controlling interests attributable to a decrease in shareholding of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**181**	**181**	**(181)**	**–**
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,567**	**3,567**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,358)**	**(11,358)**
Balance at 31 December 2011		**404,062**	**287,628**	**(91,086)**	**133,554**	**304,827**	**4,557**	**8,864,038**	**9,907,580**	**104,887**	**10,012,467**

The notes on pages 74 to 136 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Operating activities			
Profit before taxation		**1,409,373**	869,012
Adjustments for:			
Bank interest income		**(5,815)**	(4,075)
Net loss on disposal of other fixed assets		**1,537**	1,507
Depreciation and amortisation		**100,414**	87,681
Finance costs		**15,659**	11,784
Share of profits less losses of associates		**531**	(3,224)
Share of loss of a jointly controlled entity		**719**	–
Reversal of impairment of interest in associates		**(3,133)**	–
Impairment loss on bad and doubtful debts		**10**	–
Reversal of provision for properties held for resale		**(2,278)**	(20,652)
Gain on disposal of available-for-sale securities		**–**	(16,009)
Net realised and unrealised losses on trading securities		**14,938**	–
Net increase in fair value of investment properties		**(914,580)**	(409,336)
Gain on disposal of an associate		**(313)**	(312)
Exchange differences		**4,331**	(1,245)
Operating profit before changes in working capital		**621,393**	515,131
Decrease in properties under development for sale		**1,668**	117
Decrease/(increase) in inventories		**11,972**	(1,108)
Increase in trade and other receivables		**(104,560)**	(59,335)
Decrease in amounts due from associates		**1,175**	1,661
Increase in amount due from a jointly controlled entity, net		**(5,177)**	–
(Decrease)/increase in amount due to an associate		**(16)**	4,428
Increase in trade and other payables		**28,285**	6,909
Increase in sales and rental deposits received		**12,677**	36,473
Increase/(decrease) in deferred liabilities		**37,989**	(8,700)
Payment for purchase of trading securities		**(147,399)**	–
Proceeds from disposal of trading securities		**53,184**	–
Cash generated from operations		**511,191**	495,576
Bank interest received		**2,886**	4,076
Interest and other borrowing costs paid		**(15,674)**	(12,867)
Dividends paid		**(213,576)**	(219,348)
Dividends paid to non-controlling interests		**(11,358)**	(5,845)
Dividends received from associates		**442**	2,305
Tax paid			
– Hong Kong Profits Tax paid		**(51,331)**	(89,196)
– Hong Kong Profits Tax refunded		**64**	13
– Overseas tax paid		**(4,113)**	(7,415)
Net cash generated from operating activities		**218,531**	167,299

Consolidated Cash Flow Statement
For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Investing activities			
Payment for purchase of investment properties		**(301)**	(67,879)
Payment for purchase of other fixed assets		**(193,264)**	(88,180)
Payment for investment in a jointly controlled entity		**–**	(1,141)
Payment for purchase of available-for-sale securities		**(30,939)**	–
Proceeds from disposal of other fixed assets		**277**	275
Proceeds from disposal of an associate		**884**	200
Proceeds from disposal of available-for-sale securities		**–**	21,751
(Increase)/decrease in time deposits with maturity more than three months		**(777,399)**	20,701
Net cash used in investing activities		**(1,000,742)**	(114,273)
Financing activities			
Proceeds from new bank loans		**2,814,061**	3,313,000
Repayment of bank loans		**(2,009,061)**	(3,291,000)
Repayment of advances from holders of non-controlling interests of subsidiaries		**(2,460)**	(6,923)
Capital contribution from non-controlling interests		**3,567**	–
Net cash generated from financing activities		**806,107**	15,077
Net increase in cash and cash equivalents		**23,896**	68,103
Cash and cash equivalents at 1 January		**441,838**	368,866
Effect of foreign exchange rate changes		**10,691**	4,869
Cash and cash equivalents at 31 December		**476,425**	441,838
Analysis of the balances of cash and cash equivalents at 31 December			
Cash and bank balances	20	**1,291,971**	479,985
Less: Time deposits with maturity more than three months		**(815,546)**	(38,147)
		476,425	441,838

The notes on pages 74 to 136 form an integral part of these financial statements.

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a jointly controlled entity.

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

– investment property (see note 1(h)); and

– financial instruments classified as available-for-sale securities or as trading securities (see note 1(g)).

The preparation of financial statements 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 financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) 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 Group's financial statements:

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

– Improvements to HKFRSs (2010)

The impacts of developments are discussed below:

– 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 previous period. 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) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 27 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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 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 financial statements for the year ended 31 December 2010.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements 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 financial statements. 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.

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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(n) or (o) depending on the nature of the liability.

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 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or 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 financial statements 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 values 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 1(f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees 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 investees' 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.

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 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

In the Company's balance sheet, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest 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 1(k)).

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 and the Company'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, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(v) and (vi).

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 1(k)).

Investments in equity securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, 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 1(t)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(t)(vi). When these investments are derecognised or impaired (see note 1(k)), 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 or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

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 1(t)(i).

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 1(j)), 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 1(j).

(i) Other fixed assets

The following items of other fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 1(k)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(j));

– hotel property; and

– machinery, furniture, fixtures and equipment.

Gains or losses arising from the retirement or disposal of an item of other fixed assets 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.

Depreciation is calculated to write off the cost of items of other fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– leasehold land is depreciated over the remaining term of the lease;

– buildings including hotel property situated on leasehold land are depreciated over the unexpired term of the lease; and

– machinery, furniture, fixtures and equipment 4 – 10 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) 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 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 held under a finance lease (see note 1(h)); 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.

(ii) Assets held for use in operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in note 1(t)(i).

(iii) Operating lease charges

Where the Group has the use of assets held 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 held 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 1(h)) or is held for development for sale (see note 1(l)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) 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 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 associates and jointly controlled entities recognised using the equity method (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(k)(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 1(k)(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Impairment of assets *(continued)*

(i) Impairment of investments in equity securities and other receivables (continued)

– For trade and other 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.

– For available-for-sale 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 (net of any principal repayment and amortisation) 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Impairment of assets *(continued)*

(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;

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount 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 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).

– 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 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 1(k)(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 year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(l) Inventories

(i) Consumable stores and merchandised goods

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first-out formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Inventories *(continued)*

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale
The cost of properties 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, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Properties held for resale
In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties held for resale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) 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 1(k)), 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.

(n) 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.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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.

(q) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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.

(r) Income tax

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.

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.

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Income tax *(continued)*

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 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on 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.

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 Company or 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 Company or 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) 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 1(s)(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) 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) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the 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.

(ii) Revenue arising from the sale of properties held for resale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Revenue arising from properties under development is recognised upon the transfer of legal titles. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under sales deposits and instalments received.

(iii) Sale of merchandised goods

Revenue is recognised when goods are delivered to the customers 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 excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iv) Income from hotel, food and beverage, travel operations and management services is recognised when the relevant services are provided.

(v) 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.

(vi) Interest income is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) 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 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates 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 January 2005 is translated 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.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production 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 the 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 are 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.

(w) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) 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).

(vii) A person identified in (a)(i) 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 members of the family 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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made the following judgements:

Valuation of investment properties

Investment properties are included in the balance sheet at their market value, which are assessed annually by external qualified valuers, after taking into consideration the net rental income allowing for reversionary income potential.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

Assessment of the useful economic lives for depreciation of other fixed assets

The Group depreciates other fixed assets in accordance with depreciation policy as set out in note 1(i). The estimated useful lives reflect the directors' estimate of the periods during which the Group intends to derive future economic benefits from the use of these assets.

Assessment of provision for properties held under development and for resale

Management determines the net realisable value of properties held under development and for resale by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of net realisable value of properties held under development and for resale requires judgement as to the anticipated sale prices with reference to the recent sale transactions in nearby locations and the related costs to be incurred in selling the property. The Group's estimates may not be accurate and might need to be adjusted in later periods.

Impairment of interest in subsidiaries

In considering the impairment losses that may be required for the Company's interest in subsidiaries, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries.

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2011 HK$'000	2010 HK$'000
(a) Staff costs		
Contributions to defined contribution plan	15,011	13,479
Salaries, wages and other benefits	382,047	320,014
	397,058	333,493
(b) Finance costs		
Interest on bank advances and other borrowings repayable within five years	13,312	9,948
Other borrowing costs	2,347	1,836
	15,659	11,784

	2011 HK$'000	2010 HK$'000
(c) Others		
Auditors' remuneration	4,375	3,887
Net foreign exchange gain	(11,993)	(1,062)
Net loss on disposal of other fixed assets	1,537	1,507
Operating lease charges: minimum lease payments – property rentals	53,133	33,108
Impairment loss for bad and doubtful debts	10	–
Rentals receivable from investment properties less direct outgoings of HK$45,834,000 (2010: HK$44,770,000)	(483,933)	(436,463)
Other rental income less direct outgoings of HK$4,992,000 (2010: HK$4,941,000)	(31,659)	(8,191)
Dividend income from listed securities	(1,415)	(287)
Bank interest income	(5,815)	(4,075)
Gain on disposal of an associate	(313)	(312)
Reversal of impairment of interest in associates	(3,133)	–

4 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 HK$'000	2010 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**58,303**	49,850
Under-provision in respect of prior years	**284**	149
	58,587	49,999
Current tax – Overseas		
Provision for the year	**5,499**	6,662
(Over)/under-provision in respect of prior years	**(2,269)**	1,587
	3,230	8,249
Deferred tax		
Change in fair value of investment properties	**404**	2,591
Origination and reversal of temporary differences	**18,646**	2,752
	19,050	5,343
	80,867	63,591

Provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

Share of associates' taxation for the twelve months ended 31 December 2011 of HK$10,000 (2010: HK$142,000) is included in the share of profits less losses of associates.

4 TAXATION IN THE CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2011 HK$'000	2010 HK$'000
Profit before taxation	**1,409,373**	869,012
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**231,258**	138,674
Tax effect of non-deductible expenses	**5,291**	4,844
Tax effect of non-taxable income	**(155,749)**	(78,635)
Tax effect of unused tax losses not recognised in the year	**15,676**	523
Tax effect of tax losses not recognised in prior years utilised this year	**(13,624)**	(3,551)
(Over)/under-provision in prior years	**(1,985)**	1,736
Actual tax expense	**80,867**	63,591

5 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2011				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Board of directors					
Dr Lee Shau Kee	100	–	–	–	100
Mr Lee Ka Shing	50	–	–	–	50
Dr Patrick Fung Yuk Bun	200	–	–	–	200
Mr Dominic Cheng Ka On	200	–	–	–	200
Mr Richard Tang Yat Sun	100	–	–	–	100
Mr Colin Lam Ko Yin	50	–	–	–	50
Mr Eddie Lau Yum Chuen	50	–	–	–	50
Mr Tony Ng	50	–	–	–	50
Mr Norman Ho Hau Chong	50	–	–	–	50
Mr Howard Yeung Ping Leung	50	–	–	–	50
Mr Thomas Liang Cheung Biu	50	–	–	–	50
Mr Alexander Au Siu Kee	50	–	–	–	50
Independent non-executive directors					
Dr David Sin Wai Kin	250	–	–	–	250
Mr Wu King Cheong	250	–	–	–	250
Dr Timpson Chung Shui Ming	250	–	–	–	250
	1,750	–	–	–	1,750

5 DIRECTORS' REMUNERATION *(CONTINUED)*

	2010				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Board of directors					
Dr Lee Shau Kee	100	–	–	–	100
Mr Lee Ka Shing	50	–	–	–	50
Dr Patrick Fung Yuk Bun	200	–	–	–	200
Mr Dominic Cheng Ka On	200	–	–	–	200
Mr Richard Tang Yat Sun	100	–	–	–	100
Mr Colin Lam Ko Yin	50	–	–	–	50
Mr Eddie Lau Yum Chuen	50	–	–	–	50
Mr Tony Ng	50	–	–	–	50
Mr Norman Ho Hau Chong	50	–	–	–	50
Mr Howard Yeung Ping Leung	50	–	–	–	50
Mr Thomas Liang Cheung Biu	50	–	–	–	50
Mr Alexander Au Siu Kee	50	–	–	–	50
Independent non-executive directors					
Dr David Sin Wai Kin	250	–	–	–	250
Mr Wu King Cheong	250	–	–	–	250
Dr Timpson Chung Shui Ming	250	–	–	–	250
	1,750	–	–	–	1,750

6 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

No directors of the Company was included in the five individuals with the highest emoluments (2010: Nil). Details of directors' emolument are disclosed in note 5. The aggregate of the emoluments in respect of the five (2010: five) individuals is as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries, allowances and benefits in kind	**10,780**	9,560
Discretionary bonuses	**2,377**	1,504
Retirement scheme contributions	**472**	412
	13,629	11,476

The emoluments of the five (2010: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2011	2010
HK$0 – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	4
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**–**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**–**	–
HK$5,500,001 – HK$6,000,000	**1**	–
	5	5

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of HK$213,326,000 (2010: HK$203,400,000) which has been dealt with in the financial statements of the Company.

8 DIVIDENDS

(a) Dividends attributable to the year

	2011 HK$'000	2010 HK$'000
Interim dividend declared and paid of 15 Hong Kong cents per share (2010: 15 Hong Kong cents per share)	**86,585**	86,585
Final dividend proposed after the balance sheet date of 23 Hong Kong cents per share (2010: 22 Hong Kong cents per share)	**132,763**	126,991
	219,348	213,576

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2011 HK$'000	2010 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 22 Hong Kong cents per share (2010: 10 Hong Kong cents per share)	**126,991**	57,723

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of the Company of HK$1,325,310,000 (2010: HK$784,307,000) and 577,231,252 shares (2010: 577,231,252 shares) in issue during the year.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2011 and 2010, and hence diluted earnings per share is the same as the basic earnings per share.

10 SEGMENT REPORTING

The Group manages its businesses by segments which are organised by business lines. 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 six reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property investment	:	The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term
Property development and sales	:	The development, purchase and sale of commercial and residential properties
Hotel ownership and management	:	The operating of hotel and provision of hotel management services
Food and beverage operation	:	The operation of restaurants
Travel operation	:	The operation of travel agency services
Apparel operation	:	The wholesale and retail of apparel

The principal activities of the Group are property investment, property development and sales, hotel ownership and management, food and beverage operation, travel operation and apparel operation. Turnover represents rental income, income from sale of properties and properties under development, income from hotel, food and beverage, travel and apparel operations.

(a) Segment results

Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and a jointly controlled entity, other non-operating items and other corporate expenses.

10 SEGMENT REPORTING *(CONTINUED)*

(a) Segment results *(continued)*

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.

	2011						
	Property investment HK$'000 (Note)	Property development and sales HK$'000	Hotel ownership and management HK$'000 (Note)	Food and beverage operation HK$'000	Travel operation HK$'000	Apparel operation HK$'000	Total HK$'000
Revenue from external customers	566,418	44,734	534,109	227,941	1,054,820	67,902	2,495,924
Inter-segment revenue	–	–	2,494	6,457	–	–	8,951
Reportable segment revenue	566,418	44,734	536,603	234,398	1,054,820	67,902	2,504,875
Elimination of inter-segment revenue							(8,951)
Consolidated turnover							2,495,924
Reportable segment results (adjusted EBITDA)	490,974	(13,030)	206,527	(16,906)	25,419	(4,331)	688,653
Unallocated corporate expenses							(164,291)
							524,362
Finance costs							(15,659)
Share of profits less losses of associates							(531)
Share of loss of a jointly controlled entity							(719)
Reversal of provision for properties held for resale							2,278
Net realised and unrealised losses on trading securities							(14,938)
Net increase in fair value of investment properties	914,580	–	–	–	–	–	914,580
Consolidated profit before taxation							1,409,373

10 SEGMENT REPORTING *(CONTINUED)*

(a) Segment results *(continued)*

	2010						
	Property investment HK$'000 (Note)	Property development and sales HK$'000	Hotel ownership and management HK$'000 (Note)	Food and beverage operation HK$'000	Travel operation HK$'000	Apparel operation HK$'000	Total HK$'000
Revenue from external customers	494,365	3,383	428,997	201,911	983,463	–	2,112,119
Inter-segment revenue	–	–	2,031	5,100	–	–	7,131
Reportable segment revenue	494,365	3,383	431,028	207,011	983,463	–	2,119,250
Elimination of inter-segment revenue							(7,131)
Consolidated turnover							2,112,119
Reportable segment results (adjusted EBITDA)	417,479	(13,475)	136,039	18,287	33,515	–	591,845
Unallocated corporate expenses							(160,270)
							431,575
Finance costs							(11,784)
Share of profits less losses of associates							3,224
Reversal of provision for properties held for resale							20,652
Gain on disposal of available-for-sale securities							16,009
Net increase in fair value of investment properties	409,336	–	–	–	–	–	409,336
Consolidated profit before taxation							869,012

Note: During the year, the financial result of the leasing activities in the Mira Mall is grouped and reported to the Group's most senior executive management under "Property investment" segment, which previously grouped and reported under "Hotel ownership and management" segment. Thus, comparative figures have been restated in conformity with the current year's presentation.

10 SEGMENT REPORTING *(CONTINUED)*

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group non-current assets other than financial instruments and deferred assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the asset, in case of interest in associates and a jointly controlled entity, the location of operations.

	Revenue from external customers		**Non-current assets**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
The Hong Kong Special Administrative Region	**2,321,796**	2,056,884	**9,881,663**	8,870,784
The People's Republic of China	**174,128**	55,235	**712,813**	582,095
	2,495,924	2,112,119	**10,594,476**	9,452,879

11 FIXED ASSETS

(a) The Group

		Other fixed assets				
	Investment properties HK$'000	Hotel HK$'000	Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2011	8,712,627	140,221	18,865	1,303,874	1,462,960	10,175,587
Additions	301	–	608	302,276	302,884	303,185
Disposals	–	–	–	(46,508)	(46,508)	(46,508)
Reclassification	1,156	–	–	(1,156)	(1,156)	–
Exchange adjustments	24,555	–	–	2,224	2,224	26,779
Surplus on revaluation	914,580	–	–	–	–	914,580
At 31 December 2011	9,653,219	140,221	19,473	1,560,710	1,720,404	11,373,623
Representing:						
Cost	–	140,221	19,473	1,560,710	1,720,404	1,720,404
Valuation – 2011	9,653,219	–	–	–	–	9,653,219
	9,653,219	140,221	19,473	1,560,710	1,720,404	11,373,623
Accumulated depreciation and amortisation:						
At 1 January 2011	–	85,976	10,182	634,556	730,714	730,714
Charge for the year	–	1,917	327	98,170	100,414	100,414
Written back on disposals	–	–	–	(44,694)	(44,694)	(44,694)
Exchange adjustments	–	–	–	2,156	2,156	2,156
At 31 December 2011	–	87,893	10,509	690,188	788,590	788,590
Net book value:						
At 31 December 2011	9,653,219	52,328	8,964	870,522	931,814	10,585,033

* Others mainly comprise machinery, furniture, fixtures and equipment.

11 FIXED ASSETS *(CONTINUED)*

(a) The Group *(continued)*

		Other fixed assets				
	Investment properties HK$'000	Hotel HK$'000	Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2010	8,194,426	131,122	18,865	1,234,284	1,384,271	9,578,697
Additions	68,522	–	–	112,010	112,010	180,532
Disposals	–	–	–	(16,443)	(16,443)	(16,443)
Reclassification	18,854	9,099	–	(27,953)	(18,854)	–
Exchange adjustments	21,489	–	–	1,976	1,976	23,465
Surplus on revaluation	409,336	–	–	–	–	409,336
At 31 December 2010	8,712,627	140,221	18,865	1,303,874	1,462,960	10,175,587
Representing:						
Cost	–	140,221	18,865	1,303,874	1,462,960	1,462,960
Valuation – 2010	8,712,627	–	–	–	–	8,712,627
	8,712,627	140,221	18,865	1,303,874	1,462,960	10,175,587
Accumulated depreciation and amortisation:						
At 1 January 2010	–	84,350	9,807	561,626	655,783	655,783
Charge for the year	–	1,626	375	85,680	87,681	87,681
Written back on disposals	–	–	–	(14,661)	(14,661)	(14,661)
Exchange adjustments	–	–	–	1,911	1,911	1,911
At 31 December 2010	–	85,976	10,182	634,556	730,714	730,714
Net book value:						
At 31 December 2010	8,712,627	54,245	8,683	669,318	732,246	9,444,873

* Others mainly comprise machinery, furniture, fixtures and equipment.

11 FIXED ASSETS *(CONTINUED)*

(b) The Company

	Investment properties HK$'000	Other fixed assets: Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2011	185,969	260	66,804	67,064	253,033
Additions	–	–	1,142	1,142	1,142
Disposals	–	–	(528)	(528)	(528)
Surplus on revaluation	24,087	–	–	–	24,087
At 31 December 2011	210,056	260	67,418	67,678	277,734
Representing:					
Cost	–	260	67,418	67,678	67,678
Valuation – 2011	210,056	–	–	–	210,056
	210,056	260	67,418	67,678	277,734
Accumulated depreciation and amortisation:					
At 1 January 2011	–	216	46,260	46,476	46,476
Charge for the year	–	3	3,925	3,928	3,928
Written back on disposals	–	–	(522)	(522)	(522)
At 31 December 2011	–	219	49,663	49,882	49,882
Net book value:					
At 31 December 2011	210,056	41	17,755	17,796	227,852

* Others comprise machinery, furniture, fixtures and equipment.

11 FIXED ASSETS *(CONTINUED)*

(b) The Company *(continued)*

		Other fixed assets			
	Investment properties HK$'000	Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2010	157,858	260	65,932	66,192	224,050
Additions	–	–	2,481	2,481	2,481
Disposals	–	–	(1,609)	(1,609)	(1,609)
Surplus on revaluation	28,111	–	–	–	28,111
At 31 December 2010	185,969	260	66,804	67,064	253,033
Representing:					
Cost	–	260	66,804	67,064	67,064
Valuation – 2010	185,969	–	–	–	185,969
	185,969	260	66,804	67,064	253,033
Accumulated depreciation and amortisation:					
At 1 January 2010	–	213	43,532	43,745	43,745
Charge for the year	–	3	4,104	4,107	4,107
Written back on disposals	–	–	(1,376)	(1,376)	(1,376)
At 31 December 2010	–	216	46,260	46,476	46,476
Net book value:					
At 31 December 2010	185,969	44	20,544	20,588	206,557

* Others comprise machinery, furniture, fixtures and equipment.

11 FIXED ASSETS *(CONTINUED)*

(c) The analysis of cost or valuation of properties is as follows:

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Land and buildings in Hong Kong:				
– long term leases	**165,917**	144,409	**145**	145
– medium term leases	**9,047,385**	8,155,616	**210,171**	186,084
Land and buildings outside Hong Kong:				
– long term leases	**546,813**	522,711	**–**	–
– medium term leases	**52,577**	48,756	**–**	–
– short term leases	**221**	221	**–**	–
	9,812,913	8,871,713	**210,316**	186,229

(d) Investment properties of the Group and the Company were revalued at 31 December 2011 on a market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, DTZ, which has among its staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(e) The Group and the Company lease out investment properties under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenant's sales receipts.

The total contingent rents recognised in the consolidated income statement for the year are HK$19,245,000 (2010: HK$16,449,000).

(f) The gross carrying amounts of investment properties of the Group and the Company held for use in operating leases are HK$9,653,219,000 (2010: HK$8,712,627,000) and HK$210,056,000 (2010: HK$185,969,000) respectively.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment property.

11 FIXED ASSETS *(CONTINUED)*

(g) Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within 1 year	**513,720**	378,219	**3,557**	7,420
After 1 year but within 5 years	**626,442**	480,820	**–**	2,383
	1,140,162	859,039	**3,557**	9,803

12 INTEREST IN SUBSIDIARIES

	The Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**93,332**	93,332
Amounts due from subsidiaries (note (a))	**3,361,294**	4,163,871
	3,454,626	4,257,203
Less: Impairment loss	**(383,339)**	(393,581)
	3,071,287	3,863,622
Amounts due to subsidiaries (note (b))	**(1,441,990)**	(1,254,307)

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amounts due from certain subsidiaries amounting to HK$2,500,548,000 (2010: HK$3,383,517,000), which are interest bearing with reference to the prevailing market rate.

(b) The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amounts due to certain subsidiaries amounting to HK$284,510,000 (2010: HK$16,360,000), which are interest bearing with reference to the prevailing market rate.

12 INTEREST IN SUBSIDIARIES *(CONTINUED)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

All of these are subsidiaries as defined under note 1(d) and have been consolidated into the Group's financial statements.

				Proportion of ownership interest			
Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
All Best Resources Limited	Hong Kong	The People's Republic of China ("PRC")	HK$100	100%	–	100%	Property rental
Chitat Construction Limited	Hong Kong	The PRC	HK$10,000	100%	99%	1%	Property rental
Contender Limited	Hong Kong	Hong Kong	HK$200,000	100%	100%	–	Hotel operation and property rental
East Dragon Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Globe Century Development Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Property rental
Glory Light Holdings Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Restaurant operation
Grand City Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Gourmet Enterprises Limited	Hong Kong	Hong Kong	HK$180,000	94.4%	94.4%	–	Property rental
How Good Investments Limited	Hong Kong	Hong Kong	HK$2	100%	50%	50%	Property rental
How Light Investments Limited	Hong Kong	The PRC	HK$100,000	100%	–	100%	Property sale
Korngold Limited	Hong Kong	Hong Kong	HK$2	100%	100%	–	Property investment
Merry King Resources Limited	Hong Kong	Hong Kong	HK$1,000	92.5%	–	92.5%	Restaurant operation
Miramar East Company Limited	Hong Kong	Hong Kong	HK$10,000	100%	–	100%	Property rental
Miramar Finance Limited	Hong Kong	Hong Kong	HK$100,000	100%	100%	–	Finance
Miramar Group (Corporate Funding) Co. Limited	Hong Kong	Hong Kong	HK$1,000	100%	99%	1%	Finance
Miramar Hotel Management Company Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Restaurant operation and hotel management

12 INTEREST IN SUBSIDIARIES *(CONTINUED)*

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Miramar Hotel & Investment (Express) Limited	Hong Kong	Hong Kong	HK$10,000,000	100%	100%	–	Travel agency
Miramar Travel Limited	Hong Kong	Hong Kong	HK$13,000,000	53.8%	53.8%	–	Travel agency
The Pinesprop Limited	Hong Kong	Hong Kong	HK$1,000	100%	100%	–	Property investment
Prosperwell Properties Limited	Hong Kong	Hong Kong	HK$10,000	100%	93%	7%	Property rental
Randall Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Shahdan Limited	Hong Kong	Hong Kong	HK$200,000	100%	100%	–	Property rental
Smart Faith Investments Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Restaurant operation
Strong Profit Resources Limited	Hong Kong	The PRC	HK$10,000	70%	–	100%	Property sale
Tsui Hang Village Restaurant Limited	Hong Kong	Hong Kong	HK$500,000	100%	100%	–	Restaurant operation
Warsaw Investments Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Property rental
Wide Trade Investments Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Property investment
World Eagle Resources Limited	Hong Kong	Hong Kong	HK$2	100%	–	100%	Restaurant operation
Beijing Cuisine Restaurant Company Limited ~*	The PRC	The PRC	US$2,100,000	100%	–	100%	Restaurant operation
Grand Mira Property Management (Shanghai) Limited ~*	The PRC	The PRC	US$5,000,000	100%	–	100%	Property rental and management
Miramar Fashion (Shanghai) Co, Limited ~*	The PRC	The PRC	RMB45,000,000	100%	–	100%	Apparel operation
Knutsford Trading (Beijing) Co, Limited ~*	The PRC	The PRC	RMB5,000,000	100%	–	100%	Apparel operation
Shanghai Henderson – Miramar Hotels Management Co. Ltd.^*	The PRC	The PRC	US$200,000	100%	–	100%	Hotel management

12 INTEREST IN SUBSIDIARIES *(CONTINUED)*

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shanghai Shangmei Property Co. Ltd.^*	The PRC	The PRC	US$13,000,000	51.4%	–	68.6%	Property development
Centralplot, Inc.	The British Virgin Islands	The United States of America	US$38,133,285	88%	–	88%	Property development

* KPMG are not statutory auditors of these subsidiaries. The total net assets and total turnover of these subsidiaries constituting approximately 9% (2010: 9%) and 4% (2010: 2%) respectively of the related consolidated totals.

~ Wholly foreign-owned enterprise

^ Sino-foreign equity joint venture enterprise

13 INTEREST IN ASSOCIATES

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Unlisted shares, at cost	**–**	–	**250**	250
Share of net assets	**8,606**	3,041	**–**	–
Amounts due from associates	**6,153**	7,328	**4,261**	4,911
Loans to associates	**36,971**	48,971	**–**	–
	51,730	59,340	**4,511**	5,161
Less: Impairment loss	**(47,886)**	(52,475)	**(4,208)**	(4,808)
	3,844	6,865	**303**	353

Amounts due from associates and loans to associates are unsecured, interest-free and have no fixed terms of repayment.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

Name of associate	Place of incorporation	Place of operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Kamliease International Limited*	Hong Kong	The PRC	49%	–	49%	Property sale
Mei Kang Tang Health Center (Hong Kong) Co., Limited	Hong Kong	Hong Kong	50%	–	50%	Provision of catering consultancy and health food services

* KPMG are not statutory auditors of this associate.

13 INTEREST IN ASSOCIATES *(CONTINUED)*

Summary of financial information on associates:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	(Loss)/profit HK$'000
2011					
Aggregate of associates' financial statements	**165,169**	**(145,817)**	**19,352**	**31,776**	**(2,400)**
Group's effective interest	**72,106**	**(63,500)**	**8,606**	**12,583**	**(531)**
2010					
Aggregate of associates' financial statements	189,839	(173,683)	16,156	44,370	8,553
Group's effective interest	79,665	(76,624)	3,041	17,184	3,224

14 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2011 HK$'000	2010 HK$'000
Share of net assets	**5,281**	6,000
Amount due from a jointly controlled entity (note)	**318**	–
Amount due to a jointly controlled entity (note)	**–**	(4,859)
	5,599	1,141

Note: Amounts due from/(to) a jointly controlled entity are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's interest in the jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Saboten Miramar Hong Kong Company Limited	Incorporated	Hong Kong	HK$12,000,000	50%	–	50%	Restaurant operation

14 INTEREST IN A JOINTLY CONTROLLED ENTITY *(CONTINUED)*

Summary financial information on jointly controlled entity – Group's effective interest

	2011 HK$'000	2010 HK$'000
Non-current assets	**1,836**	–
Current assets	**4,641**	6,570
Current liabilities	**(1,196)**	(570)
Net assets	**5,281**	6,000
Income	**4,879**	–
Expenses	**(5,598)**	–
Loss for the year	**(719)**	–

15 AVAILABLE-FOR-SALE SECURITIES

	The Group	
	2011 HK$'000	2010 HK$'000
Non-current		
Listed securities in Hong Kong	**7,121**	6,013
Current		
Investment fund, unlisted	**30,939**	–
Total	**38,060**	6,013
Market value of listed securities	**7,121**	6,013

16 PROPERTIES UNDER DEVELOPMENT FOR SALE

	The Group	
	2011 HK$'000	2010 HK$'000
Outside Hong Kong on freehold land	**239,767**	241,933

17 INVENTORIES

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Consumable stores	**29,861**	17,227	**5,233**	3,275
Properties held for resale	**110,376**	139,172	**–**	–
Merchandised goods	**15,861**	3,959	**–**	–
	156,098	160,358	**5,233**	3,275

Properties held for resale of HK$110,376,000 (2010: HK$139,172,000) is net of a provision in order to state these properties at the lower of their cost and estimated net realisable value.

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Trade receivables	**95,153**	68,956	**3,452**	3,244
Less: Allowance for doubtful debts	**(1,417)**	(1,407)	**(10)**	–
	93,736	67,549	**3,442**	3,244
Other receivables, deposits and prepayments	**226,337**	140,802	**17,990**	11,887
	320,073	208,351	**21,432**	15,131

All of the trade and other receivables are expected to be recovered within one year except for the amount of HK$10,499,000 (2010: HK$11,112,000) which is expected to be recovered after more than one year.

(a) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as at the balance sheet date:

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
0 to 1 month	**60,797**	38,922	**3,035**	2,411
1 month to 2 months	**15,085**	10,885	**320**	292
Over 2 months	**17,854**	17,742	**87**	541
	93,736	67,549	**3,442**	3,244

The Group's credit policy is set out in note 27(a).

18 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
At 1 January	**1,407**	1,407	**–**	–
Impairment loss recognised	**10**	–	**10**	–
At 31 December	**1,417**	1,407	**10**	–

At 31 December 2011, the Group's and the Company's trade receivables of HK$1,417,000 (2010: HK$1,407,000) and HK$10,000 (2010: HK$Nil) respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are expected to be not recoverable. Consequently, specific allowances for doubtful debts of HK$1,417,000 (2010: HK$1,407,000) and HK$10,000 (2010: HK$Nil) respectively were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Neither past due nor impaired	**60,797**	38,922	**3,035**	2,411
Less than 1 month past due	**15,085**	10,885	**320**	292
1 to 2 months past due	**4,510**	4,636	**66**	237
Over 2 months past due	**13,344**	13,106	**21**	304
	32,939	28,627	**407**	833
	93,736	67,549	**3,442**	3,244

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default.

18 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(c) Trade receivables that are not impaired *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes 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 fully recoverable. The Group does not hold any collateral over these balances.

19 TRADING SECURITIES

	The Group	
	2011 **HK$'000**	2010 HK$'000
Listed securities in Hong Kong (stated in market value)	**79,277**	–

20 CASH AND BANK BALANCES

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Deposits with banks and other financial institutions	**1,040,975**	100,904	**990,366**	118
Cash at bank and in hand	**250,996**	379,081	**24,476**	16,722
	1,291,971	479,985	**1,014,842**	16,840

Cash and bank balances at 31 December 2011 include HK$127,995,000 equivalent (2010: HK$193,397,000 equivalent) place with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Trade payables	**104,973**	81,980	**31,195**	27,041
Other payables	**357,042**	239,708	**45,794**	36,863
Amounts due to holders of non-controlling interests of subsidiaries (see note 22)	**91,598**	91,075	**–**	–
Amount due to an associate (note)	**4,412**	4,428	**4,412**	4,428
	558,025	417,191	**81,401**	68,332

Note: Amount due to an associate is unsecured, interest-free and repayable on demand.

21 TRADE AND OTHER PAYABLES *(CONTINUED)*

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis as at the balance sheet date:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Due within 3 months or on demand	**88,925**	67,877	**30,686**	26,485
Due after 3 months but within 6 months	**16,048**	14,103	**509**	556
	104,973	81,980	**31,195**	27,041

22 AMOUNTS DUE TO HOLDERS OF NON-CONTROLLING INTERESTS OF SUBSIDIARIES

Except the amounts due to holders of non-controlling interests of a subsidiary amounting to HK$55,666,000 (2010: HK$54,040,000), which is interest bearing at 6.14% (2010: 6.14%) per annum and not expected to be settled within one year, all of the amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

23 INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Unsecured bank loans and repayable:				
– Within one year	**240,000**	214,911	**100,000**	–
– Between one and two years	**563,427**	–	**184,526**	–
– Between two and five years	**859,896**	647,492	**–**	249,192
	1,423,323	647,492	**184,526**	249,192
	1,663,323	862,403	**284,526**	249,192

Interest on bank loans is charged at prevailing market rates.

Bank loans repayable within one year will be settled by re-financing or from the general working capital of the Group.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2011 none of the covenants relating to drawn down facilities had been breached (2010: None).

24 DEFERRED LIABILITIES

Deferred liabilities represent refundable rental deposits received on properties held under operating leases with unexpired lease terms exceeding one year as at the balance sheet date.

25 TAXATION IN THE BALANCE SHEET

(a) Tax (recoverable)/payable in the balance sheet represents:

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Provision for Hong Kong Profits Tax for the year	**58,303**	49,850	**149**	643
Provisional Hong Kong Profits Tax paid	**(37,128)**	(36,160)	**(651)**	–
	21,175	13,690	**(502)**	643
Balance of Hong Kong Profits Tax (recoverable)/payable relating to prior years	**(74)**	91	**–**	(328)
Overseas tax payable	**451**	1,334	**–**	–
	21,552	15,115	**(502)**	315
Representing:				
Tax recoverable	**(2,454)**	(2,045)	**(502)**	–
Tax payable	**24,006**	17,160	**–**	315
	21,552	15,115	**(502)**	315

None of the tax (recoverable)/payable is expected to be settled or recovered after more than one year.

25 TAXATION IN THE BALANCE SHEET *(CONTINUED)*

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Future benefit of tax loss HK$'000	Others HK$'000	Total HK$'000
Deferred tax arising from:					
At 1 January 2010	132,836	47,156	(46,240)	(8,915)	124,837
Charged/(credited) to profit or loss	11,231	2,591	–	(8,479)	5,343
Exchange adjustments	549	1,944	–	107	2,600
At 31 December 2010	144,616	51,691	(46,240)	(17,287)	132,780
At 1 January 2011	**144,616**	**51,691**	**(46,240)**	**(17,287)**	**132,780**
Charged/(credited) to profit or loss	**18,760**	**404**	**5,148**	**(5,262)**	**19,050**
Exchange adjustments	**661**	**2,224**	**–**	**273**	**3,158**
At 31 December 2011	**164,037**	**54,319**	**(41,092)**	**(22,276)**	**154,988**

25 TAXATION IN THE BALANCE SHEET *(CONTINUED)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) The Company

The components of deferred tax liabilities recognised in the balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	
	2011 HK$'000	2010 HK$'000
Deferred tax arising from:		
At 1 January	**7,106**	6,783
Charged to profit or loss	**342**	323
At 31 December	**7,448**	7,106

(iii)

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Net deferred tax assets recognised on the balance sheet	**(22,746)**	(18,138)	**–**	–
Net deferred tax liabilities recognised on the balance sheet	**177,734**	150,918	**7,448**	7,106
	154,988	132,780	**7,448**	7,106

(c) Deferred tax assets not recognised

The Group has not recognised deferred assets of HK$46,166,000 (2010: HK$49,071,000) in respect of accumulated tax losses of HK$171,359,000 (2010: HK$201,650,000) as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2011.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to five years from the year in which they were incurred or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

26 TOTAL EQUITY

(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 the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2010	404,062	287,628	1,019,874	300,000	6,039	452,071	2,469,674
Changes in equity for 2010:							
Profit and total comprehensive income for the year	–	–	–	–	(6,039)	203,400	197,361
Final dividends approved in respect of the previous period (note 8(b))	–	–	–	–	–	(57,723)	(57,723)
Interim dividends declared in respect of the current year (note 8(a))	–	–	–	–	–	(86,585)	(86,585)
Balance at 31 December 2010	404,062	287,628	1,019,874	300,000	–	511,163	2,522,727
Balance at 1 January 2011	**404,062**	**287,628**	**1,019,874**	**300,000**	**–**	**511,163**	**2,522,727**
Changes in equity for 2011:							
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**213,326**	**213,326**
Final dividends approved in respect of the previous year (note 8(b))	**–**	**–**	**–**	**–**	**–**	**(126,991)**	**(126,991)**
Interim dividends declared in respect of the current year (note 8(a))	**–**	**–**	**–**	**–**	**–**	**(86,585)**	**(86,585)**
Balance at 31 December 2011	**404,062**	**287,628**	**1,019,874**	**300,000**	**–**	**510,913**	**2,522,477**

26 TOTAL EQUITY *(CONTINUED)*

(b) Share capital

	2011		2010	
	No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.70 each	**700,000,000**	**490,000**	700,000,000	490,000
Issued and fully paid:				
Ordinary shares of HK$0.70 each	**577,231,252**	**404,062**	577,231,252	404,062

(c) Nature and purpose of reserves

(i) The Group

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

The capital reserve represents positive goodwill arose from acquisition of subsidiaries and associates prior to 1 January 2001 which was taken directly to equity on acquisition.

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

The application of the general reserve is in accordance with Article 117 of the Company's Articles of Association.

The investment revaluation reserve comprises the cumulative net change in fair value of available-for-sale securities held at balance sheet date and is dealt with in accordance with the accounting policy in note 1(g).

The accumulated gains attributable to associates at 31 December 2011 were HK$220,000 (2010: losses of HK$9,845,000).

26 TOTAL EQUITY *(CONTINUED)*

(c) Nature and purpose of reserves *(continued)*

(ii) The Company

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

The application of the capital reserve and the general reserve is in accordance with Article 117 of the Company's Articles of Association.

The investment revaluation reserve comprises the cumulative net change in fair value of available-for-sale securities held at balance sheet date and is dealt with in accordance with the accounting policy in note 1(g).

Distributable reserves of the Company at 31 December 2011, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to HK$679,995,000 (2010: HK$704,332,000).

After the balance sheet date, the directors proposed a final dividend of 23 Hong Kong cents per share (2010: 22 Hong Kong cents per share) amounting to HK$132,763,000 (2010: HK$126,991,000). This dividend has not been recognised as a liability at the balance sheet date.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-equity ratios and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total interest-bearing borrowings, including interest-bearing amounts due to holders of non-controlling interests of subsidiaries, less cash and bank balances. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and non-controlling interests.

26 TOTAL EQUITY *(CONTINUED)*

(d) Capital management *(continued)*

The net debt-to-equity ratios at balance sheet date are as follows:

	Note	The Group **2011** **HK$'000**	2010 HK$'000
Interest-bearing borrowings	23	**1,663,323**	862,403
Interest-bearing amounts due to holders of non-controlling interests of a subsidiary	22	**55,666**	54,040
Less: Cash and bank balances	20	**(1,291,971)**	(479,985)
Net debts		**427,018**	436,458
Shareholders' equity		**9,907,580**	8,760,944
Net debt-to-shareholders' equity ratio		**4.3%**	5.0%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

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 trade and other receivables and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 60 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain any collateral from customers. The ageing of trade receivables at 31 December 2011 is summarised in note 18.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(a) Credit risk *(continued)*

Cash is deposited with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

(b) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Liquidity risk *(continued)*

The Group

	Contractual undiscounted cash flow				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
At 31 December 2011					
Trade and other payables	**462,015**	**–**	**–**	**462,015**	**462,015**
Amount due to an associate	**4,412**	**–**	**–**	**4,412**	**4,412**
Amounts due to holders of non-controlling interests of subsidiaries	**95,016**	**59,084**	**–**	**154,100**	**147,264**
Interest-bearing borrowings	**258,603**	**581,995**	**878,724**	**1,719,322**	**1,663,323**
Sales and rental deposits received	**129,085**	**–**	**–**	**129,085**	**129,085**
Deferred liabilities	**–**	**56,596**	**68,020**	**124,616**	**124,616**
	949,131	**697,675**	**946,744**	**2,593,550**	**2,530,715**
At 31 December 2010					
Trade and other payables	321,688	–	–	321,688	321,688
Amount due to an associate	4,428	–	–	4,428	4,428
Amounts due to holders of non-controlling interests of subsidiaries	94,393	57,358	–	151,751	145,115
Interest-bearing borrowings	221,569	5,870	654,171	881,610	862,403
Sales and rental deposits received	116,408	–	–	116,408	116,408
Deferred liabilities	–	21,587	65,040	86,627	86,627
	758,486	84,815	719,211	1,562,512	1,536,669

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Liquidity risk *(continued)*

The Company

	Contractual undiscounted cash flow				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
At 31 December 2011					
Trade and other payables	**76,989**	**–**	**–**	**76,989**	**76,989**
Amount due to an associate	**4,412**	**–**	**–**	**4,412**	**4,412**
Deposits received	**3,609**	**–**	**–**	**3,609**	**3,609**
Interest-bearing borrowings	**102,207**	**186,003**	**–**	**288,210**	**284,526**
	187,217	**186,003**	**–**	**373,220**	**369,536**
Financial guarantees issued: – Maximum amount guaranteed (note 30)	**1,388,000**	**–**	**–**	**1,388,000**	**–**
At 31 December 2010					
Trade and other payables	63,904	–	–	63,904	63,904
Amount due to an associate	4,428	–	–	4,428	4,428
Deposits received	1,674	–	–	1,674	1,674
Interest-bearing borrowings	2,650	2,650	251,242	256,542	249,192
Deferred liabilities	–	1,897	228	2,125	2,125
	72,656	4,547	251,470	328,673	321,323
Financial guarantees issued: – Maximum amount guaranteed (note 30)	618,000	–	–	618,000	–

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's bank loans and amounts due to holders of non-controlling interests of subsidiaries. The Group is most vulnerable to changes in Hong Kong dollar interest rates. Interest rate risk is managed by the Group's senior management in accordance with defined policies through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to its current business portfolio.

(i) The following table details the interest rate profile of the Group's borrowings at the balance sheet date:

	The Group				**The Company**			
	2011		2010		**2011**		2010	
	Effective interest rate	**Amount HK$'000**	Effective interest rate	Amount HK$'000	**Effective interest rate**	**Amount HK$'000**	Effective interest rate	Amount HK$'000
Floating rate borrowings								
Bank loans	**0.86% – 2.01%**	**1,663,323**	0.805% – 1.07%	862,403	**1.10% – 1.15%**	**284,526**	0.98% – 1.07%	249,192
Amounts due to holders of non-controlling interests of a subsidiary	**6.14%**	**55,666**	6.14%	54,040	**–**	**–**	–	–
Total borrowings		**1,718,989**		916,443		**284,526**		249,192

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's and the Company's profit after tax and total equity by approximately HK$3,576,000 (2010: HK$1,901,000) and HK$594,000 (2010: HK$520,000) respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's and the Company's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure the amount of interest-bearing borrowings held by the Group and the Company which expose the Group and the Company to interest rate risk at the balance sheet date. The analysis is performed on the same basis for the year ended 31 December 2010.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19) and available-for-sale securities (see note 15).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indications, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

At 31 December 2011, it is estimated that an increase/decrease of 5% (2010: 5%) in the market value of the Group's listed available-for-sale securities, with all other variables held constant, would not affect the Group's profit unless there are impairments. The Group's total equity would have increased/decreased by HK$356,000 (2010: HK$301,000). For the trading securities, it is estimated that an increase/decrease of 5% (2010: 5%) in the market value, with all other variables held constant, would have increased/decreased the Group's profit after tax and total equity by HK$3,310,000 (2010: HK$Nil).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in market value 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 values of the Group's equity investments would change in accordance with the market values, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in market values, and that all other variables remain constant. The analysis is performed on the same basis for the year 2010.

(e) Foreign currency risk

The Group owns assets and conducts its business primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars.

The Group's primary foreign currency exposures arise from its investment in subsidiaries and associates operating in the PRC and the United States of America. Where appropriate and cost-efficient, the Group seeks to finance these investments by Renminbi ("RMB") or United States Dollars ("USD") borrowings with reference to the future RMB or USD funding requirements from the investment and related returns.

The Group and the Company are also exposed to foreign currency risk through cash and bank balances that are denominated in a foreign currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(e) Foreign currency risk *(continued)*

The Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. As at 31 December 2011, the Group's and the Company's cash and bank balances denominated in RMB amounted to HK$178,980,000 (2010: HK$435,000) and HK$178,910,000 (2010: HK$327,000) respectively.

At 31 December 2011, it is estimated that an increase/decrease of 5% (2010: 5%) in the foreign exchange rate of Hong Kong dollars against RMB would increase/decrease the Group's and the Company's profit after tax and total equity by HK$8,949,000 (2010: HK$22,000) and HK$8,946,000 (2010: HK$16,000) respectively.

Results of the analysis represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group and the Company which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2010.

(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 entirely 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.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(f) Fair values *(continued)*

(i) Financial instruments carried at fair value (continued)

The Group

	2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Available-for-sale securities:				
– Listed securities in Hong Kong	**7,121**	**–**	**–**	**7,121**
– Unlisted investment fund	**–**	**30,939**	**–**	**30,939**
Trading securities:				
– Listed securities in Hong Kong	**79,277**	**–**	**–**	**79,277**
	86,398	**30,939**	**–**	**117,337**

	2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale securities:				
– Listed securities in Hong Kong	6,013	–	–	6,013

During the year, there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The fair values of receivables, bank balances and other current assets, payables and accruals and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010. Amounts due from/(to) subsidiaries, associates, jointly controlled entity and holders of non-controlling interests of subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

28 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group	
	2011 **HK$'000**	2010 HK$'000
Future expenditure relating to properties:		
Contracted for	**22,388**	49,810
Authorised but not contracted for	**29,274**	118,723
	51,662	168,533

29 OPERATING LEASE COMMITMENTS

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Within 1 year	**54,362**	41,404	**5,420**	5,181
After 1 year but within 5 years	**71,818**	95,728	**15,101**	20,525
After 5 years	**–**	1,934	**–**	–
	126,180	139,066	**20,521**	25,706

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 9 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals.

30 CONTINGENT LIABILITIES

The Company has given guarantees in respect of banking facilities of certain wholly owned subsidiaries to the extent of HK$1,807,000,000 (2010: HK$1,257,000,000). The banking facilities were utilised to the extent of HK$1,388,000,000 (2010: HK$618,000,000) at 31 December 2011. As at balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group incurred a fee of HK$1,862,000 (2010: HK$1,362,000) to a subsidiary of its major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong which was calculated at a certain percentage of the gross rental income from the Group's investment properties during the year.

The Group received licence fee and building management fee of HK$763,000 (2010: HK$ Nil) from a subsidiary of its major shareholder for temporary leasing of a shop unit in Miramar Shopping Centre under normal commercial term.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder amounted to HK$18,214,000 (2010: HK$16,334,000) in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.

The amounts due from these companies at the year end amounted to HK$5,269,000 (2010: HK$9,902,000).

(b) The Group provides hotel management services to certain associates which run hotel operations in the PRC. Total management fees received/receivable for the year amounted to HK$165,000 (2010: HK$2,583,000) which were calculated at a certain percentage of the respective associates' revenue for the year. The net amounts due from these associates at the year end amounted to HK$Nil (2010: HK$544,000).

(c) The Group entered into management agreements with certain affiliated companies of its major shareholder for the provision of management service to a service apartment in Hong Kong under normal commercial terms. The management fee was calculated at a certain percentage of revenue generated from that service apartment for the year the service provided. Total management fees for the year received/receivable amounted to HK$2,092,000 (2010: HK$1,713,000). The net amounts due from these companies at the year end amounted to HK$9,265,000 (2010: HK$2,676,000).

(d) The Company and its wholly-owned subsidiaries received net repayment of balance due from certain associates totalling HK$12,656,000 (2010: provided net advance of HK$64,000) during the year. Such balances are unsecured, interest-free and have no fixed terms of repayment. The amounts due from/loan to these associates at the year end amounted to HK$41,989,000 (2010: HK$54,645,000).

(e) The Group entered into a lease agreement with a subsidiary of its major shareholder for the leasing of Shop 2004, 2/F., Miramar Shopping Centre under the normal commercial terms. Total rental and building management fee received/receivable for the year amounted to HK$1,668,000 (2010: HK$2,176,000). The amount due from this company at the year end amounted to HK$422,000 (2010: HK$6,000). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

31 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(f) The Group entered into a lease agreement with an associate of its major shareholder for the leasing of Shop Nos. 3101-3107 on Level Three and certain storerooms and advertisement lightboxes of ifc Mall under normal commercial terms. Total rental and building management fee expense for the year amounted to HK$13,560,000 (2010: HK$12,684,000) including contingent rental of HK$104,000 (2010: HK$259,000). There was no balance due from/to this company at the year end (2010: HK$Nil). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(g) The Group entered into lease agreements with an associate of its major shareholder for the leasing of Office Units 1801-08, 1812-16, and 1817-18, 18/F., Miramar Tower under normal commercial terms. Total rental and building management fee received/receivables for the year amounted to HK$10,675,000 (2010: HK$7,444,000). The amount due from this company at the year end amounted to HK$16,000 (2010: HK$8,000). Such transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(h) The Group entered into lease agreements with a subsidiary of its major shareholder for the leasing of Shop 503A, 503B, 503C and 501-502, 5/F., Miramar Shopping Centre and Office Units 609-12, 6/F., Miramar Tower under normal commercial terms. Total rental and building management fee received/receivables for the year amounted to HK$11,664,000 (2010: HK$10,819,000). The amount due from this company at the year end amounted to HK$258,000 (2010: HK$Nil). Such transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(i) The Group entered into a lease agreement with an associate of its major shareholder for the leasing of Shop 3013, Portion of Podium Roof and Fan Room, 3/F., Miramar Shopping Centre under normal commercial terms. Total rental and building management fee received/receivables for the year amounted to HK$9,742,000 (2010: HK$9,567,000). The amount due from this company at the year end amounted to HK$8,000 (2010: HK$8,000). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(j) The Group entered into a lease agreement with a subsidiary of its major shareholder for the leasing of Units Nos, 201-05, Level Two of West Tower, World Financial Centre, the PRC under normal commercial terms. Total rental and building management fee paid/payable for the year amounted to HK$4,608,000 (2010: HK$Nil). There was no balance due from/ to that company at the year end (2010: HK$Nil). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(k) During the year, the Group entered into a sales and purchase agreement with an affiliated company of its major shareholder for disposal of an associate under normal commercial term. The total consideration is amounted to HK$960,000. The amount due from this company at the year end amounted to HK$76,000. Such transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

(l) During the year, the remuneration for the directors and the key management personnel of the Group amounted to HK$21,348,000 (2010: HK$16,742,000) as disclosed in notes 5 and 6. The remuneration of directors and senior management is determined by the Remuneration Committee having regard to the performance and responsibilities of individuals and market trends.

32 POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 8.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Effective for accounting periods beginning on or after
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 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.

Group's Five-year Financial Summary

	For the twelve months ended 31 December 2011 HK$'million	For the twelve months ended 31 December 2010 HK$'million	For the nine months ended 31 December 2009 HK$'million (Restated)	For the twelve months ended 31 March 2009 HK$'million (Restated)	For the twelve months ended 31 March 2008 HK$'million
Results					
Turnover	**2,496**	2,112	1,303	1,616	1,588
Profit attributable to shareholders	**1,325**	784	260	142	783
Assets and liabilities					
Fixed assets	**10,585**	9,445	8,923	8,541	8,503
Interest in associates	**4**	7	7	12	4
Interest in a jointly controlled entity	**6**	1	–	–	–
Available-for-sale securities	**7**	6	17	10	16
Deferred tax assets	**23**	18	10	15	9
Net current assets	**1,169**	327	3	225	280
Total assets less current liabilities	**11,794**	9,804	8,960	8,803	8,812
Interest-bearing borrowings	**(1,423)**	(647)	(542)	(515)	(514)
Deferred liabilities	**(125)**	(87)	(95)	(89)	(57)
Amounts due to holders of non-controlling interests of a subsidiary	**(56)**	(54)	–	–	–
Deferred tax liabilities	**(178)**	(151)	(135)	(124)	(1,129)
Net assets	**10,012**	8,865	8,188	8,075	7,112
Capital and reserves					
Share capital	**404**	404	404	404	404
Reserves	**9,503**	8,357	7,698	7,593	6,631
Total equity attributable to shareholders of the Company	**9,907**	8,761	8,102	7,997	7,035
Non-controlling interests	**105**	104	86	78	77
Total equity	**10,012**	8,865	8,188	8,075	7,112
	HK$	HK$	HK$	HK$	HK$
Per share					
Earnings	**2.30**	1.36	0.45	0.24	1.36
Dividends attributable to the year/period	**0.38**	0.37	0.23	0.32	0.39
Net asset value	**17.35**	15.36	14.18	13.99	12.32

Note: As a result of early adoption of the amendments to HKAS 12, *Income taxes* in 2010, figures for the nine months ended 31 December 2009 and twelve months ended 31 March 2009 have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to certain investment properties of the Group carried at fair value. Figures for the twelve months ended 31 March 2008 have not been restated as it would involve delay and expenses out of proportion to the benefits of shareholders.

Group Properties

At 31 December 2011

1 MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	Stage	Site area	Group's interest (%)
Outside Hong Kong				
Land near Roseville area close by Sacramento California U.S.A.	Commercial and Residential	Development being planned	678 acres	88

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE

Location	Lot number	Use	Lease	Group's interest (%)
In Hong Kong				
The Mira Hong Kong 118-130 Nathan Road Tsimshatsui, Kowloon	Sections A and C of KIL6022	Hotel and Commercial	Medium	100
Miramar Tower and Miramar Shopping Centre 1 Kimberley Road Tsimshatsui, Kowloon	Portion of KIL6454	Commercial	Medium	100
6 Knutsford Terrace Tsimshatsui, Kowloon	Portion of KIL7415	Commercial	Medium	100
1/F., Champagne Court 16 Kimberley Road Tsimshatsui, Kowloon	Portion of KIL6022B	Commercial	Medium	100
A3, 13/F., United Mansion Nos. 37E-37H and 37J-37K Jordan Road and Nos. 95-103 Shanghai Street, Kowloon	Portion of KIL6727	Residential	Medium	100
Commercial Unit, Ground Floor Block K, Bedford Gardens 151-173 Tin Hau Temple Road North Point	Portion of IL8430	Commercial	Long	100

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE *(CONTINUED)*

Location	Lot number	Use	Lease	Group's interest (%)
In Hong Kong *(continued)*				
1 & 2/F., and Rooftop and the external wall of the 5th to 20th Floors (inclusive) Winner House, 310 King's Road North Point	Portion of IL2366J	Commercial	Long	100
Shops 10, 11 and 12 on Ground Floor Kam Tong Building, 12-14 and 18-34 Mok Cheong Street, 68-70 Pak Tai Street, Tokwawan, Kowloon	Portion of KIL1404A	Commercial	Long	94.4
Units 2101-8 on 21/F., and Vehicle Parking Spaces Nos. 20 and 102 on 1/F Tsuen Wan Industrial Centre 220-248 Texaco Road Tsuen Wan, New Territories	Portion of TW Town 24	Commercial and Car parking	Medium	100
G/F., Fuk Wo Industrial Building, 5 Sheung Hei Street Sanpokong, Kowloon	Portion of NKIL4728	Commercial	Medium	100
Apartment A, 1st level Beach Chalet No. 5 Sea Ranch Lantau Island, New Territories	Portion of 178DD337	Residential	Medium	100
3/F., 47 and 49 Sa Po Road Kowloon City, Kowloon	Portion of NKIL498 B&C	Residential	Medium	100
14 Car Parking Spaces on G/F Chi Lan Yuen 173 Argyle Street, Kowloon	Portion of KIL4194	Car parking	Long	100
Basement, South China Building, No.1 Wyndham Street Hong Kong	Portion of Sections K and L of IL80	Commercial	Long	100
No. 88 Stanley Main Street, Hong Kong	Stanley Inland Lot No.105 and Stanley Lot No.1130	Commercial	Medium	100

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE *(CONTINUED)*

Location	Lot number	Use	Lease	Group's interest (%)
Outside Hong Kong				
Flat A, 1/F., Block 2 Crystal Garden Shekou Special Industrial Zone, Shenzhen The People's Republic of China	Portion of 102 in Shekou Special Industrial Zone	Residential	Short	100
Level 4 of Miramar Shopping Arcade in Guang Fat Gardens 496 Huan Shi Dong Lu Guangzhou Guangdong Province The People's Republic of China	–	Commercial	Medium	100
Flat Nos. 403 and 503, Block 1, Jinghua Apartment 24 Jian Guo Men Wai Avenue Chao Yang District, Beijing The People's Republic of China	–	Residential	Long	100
80 Flats and 31 Car Parking Spaces in Shang-Mira Garden Hongqiao Road Shanghai The People's Republic of China	–	Residential and Car parking	Long	100
Level 1, portion of Level 2, Portion of Level 3 and Basement Level of the Commercial Podium of Shang-Mira Garden Hongqiao Road Shanghai The People's Republic of China	–	Commercial	Long	51.4

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the "Meeting") of the Company will be held at The Ballroom, 18/F, The Mira Hong Kong, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 7 June 2012 at 12:00 noon to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 31 December 2011.

2. To declare a Final Dividend.

3. To re-elect Directors.

4. To re-appoint Auditors and authorise the Directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

   (A) **"THAT:**

   (a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (b) of this Resolution) 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 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 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;

   (b) for the purposes of this Resolution:

   "Relevant Period" means the period from the date of 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.

"Rights Issue" means an offer of shares in the capital 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 on a fixed record date in proportion to their then holdings of such shares 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)."

(B) **"THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase ordinary shares of HK$0.70 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 securities 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" shall have the same meaning as assigned to it under Ordinary Resolution 5(A) as set out in the notice convening this Meeting."

(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 5(A) 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 5(B) 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
CHU KWOK SUN
Corporate Secretary

Hong Kong, 24 April 2012

Registered Office:
15/F, Miramar Tower
132 Nathan Road
Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and on a poll, to vote instead of him. A proxy need not be a member. Form of proxy must be lodged at the registered office of the Company at 15/F, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

(2) The Register of Members of the Company will be closed from Tuesday, 5 June 2012 to Thursday, 7 June 2012, both days inclusive, during which period no requests for transfer of shares will be accepted. In order to determine members who are entitled to attend and vote at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 4 June 2012.

(3) The Register of Members of the Company will also be closed from Wednesday, 13 June 2012 to Thursday, 14 June 2012, both days inclusive, during which period no requests for transfer of shares will be accepted. In order to qualify for the proposed final dividend for the year, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 12 June 2012.

(4) An explanatory statement containing the information necessary to enable the members to make an informed decision as to whether to vote for or against Ordinary Resolutions 5(A) to 5(C) as set out in this notice will be sent to members of the Company together with the Company's 2011 Annual Report.

Corporate Information

Executive Directors:	# @	**Dr the Honourable LEE Shau Kee**, GBM, DBA (Hon), DSSc (Hon), LLD (Hon) *(Chairman)*
	# >	**Mr LEE Ka Shing** *(Managing Director)*
	@ >	**Mr Richard TANG Yat Sun**, MBA, BBS, JP
	>	**Mr Colin LAM Ko Yin**, FCILT, FHKIoD
	>	**Mr Eddie LAU Yum Chuen**
	>	**Mr Norman HO Hau Chong**, BA, ACA, FCPA
Non-Executive Directors:	+	**Dr Patrick FUNG Yuk Bun**
	+	**Mr Dominic CHENG Ka On**
		Mr Tony NG
		Mr Howard YEUNG Ping Leung
		Mr Thomas LIANG Cheung Biu, BA, MBA
		Mr Alexander AU Siu Kee, OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB
Independent Non-Executive Directors:	# @ +	**Dr David SIN Wai Kin**, DSSc (Hon) *(Vice Chairman)*
	# @ +	**Mr WU King Cheong**, BBS, JP
	# @ +	**Dr Timpson CHUNG Shui Ming**, GBS, JP, DSSc (Hon)
Group General Manager:		**Mr Romain CHAN Wai Shing**, BSc, MBA
Chief Financial Officer:		**Mr Charles LAU Kin Shing**, DBA, CA, CISA, FCPA
Joint Company Secretaries:		**Mr Charles LAU Kin Shing**, DBA, CA, CISA, FCPA
		Mr Charles CHU Kwok Sun
Auditors:		**KPMG** Certified Public Accountants
Principal Bankers:		**Bank of China (Hong Kong) Limited** **The Hongkong & Shanghai Banking Corporation Limited** **Mizuho Corporate Bank, Ltd.**
Share Registrar:		**Computershare Hong Kong Investor Services Limited** **17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong**
Registered Office:		**15/F, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong**
Website:		**http://www.miramar-group.com**

+	**members of the Audit Committee, of which Dr Timpson Chung Shui Ming is the Chairman**
@	**members of the Remuneration Committee, of which Dr Timpson Chung Shui Ming is the Chairman**
>	**members of the General Purpose Committee**
#	**members of the Nomination Committee, of which Dr Lee Shau Kee is the Chairman**

Miramar Hotel and Investment Company, Limited
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