HARBOUR CENTRE DEVELOPMENT LIMITED

Stock Code: 51

2011

Annual Report

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Corporate Information

BOARD OF DIRECTORS

Stephen T H Ng *(Chairman)*
Joseph M K Chow, *OBE, JP**
H M V de Lacy Staunton*
Doreen Y F Lee
T Y Ng
Michael T P Sze*
Brian S K Tang*
Paul Y C Tsui

** Independent Non-executive Directors*

SECRETARY

Wilson W S Chan, *FCIS*

REGISTERED OFFICE

16th Floor, Ocean Centre,
Harbour City, Canton Road,
Kowloon,
Hong Kong

REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG, Certified Public Accountants

OVERVIEW

Commercial realization of the Group's investment in Mainland properties began in 2011 with the first revenue and profit recognition, when the initial phase of Changzhou Times Palace was completed. This marked the beginning of a new phase of financial growth for the Group.

While the Mainland economy and property market faced different challenges during 2011, strong economic fundamentals remain, and the wealth creation and accumulation process continues.

An expanding middle class aspiring for quality modern urban living provides strong demand for the real estate market. The high-speed rail network will further stimulate urbanization, with different metropolitan regions springing up across China that offer opportunities for the Group.

During 2011, two projects were launched for pre-sales, namely Chongqing U World and Suzhou Times City. Together with further sales from projects previously launched, attributable proceeds of RMB4.2 billion were generated, compared to RMB3.2 billion in 2010.

The net order book increased to RMB6.7 billion for 394,000 square metres of properties as at the end of 2011. An estimated 230,000 square metres are budgeted for recognition in 2012, compared to 19,000 square metres in 2011. The attributable land bank of 2.4 million square metres in the Mainland, stated at a cost of HK$12 billion, represented 75% of the Group's total business assets.

This includes the 450-metre skyscraper, Suzhou IFC. This investment property is designed by the internationally renowned architect, Kohn Pedersen Fox, and is being developed for completion by 2016 for a total project cost of over RMB5 billion.

In Hong Kong, visitor arrivals increased by 16.4% to a record of 41.9 million in 2011. Vibrant inbound tourism propelled the hotel and hospitality industry. This has benefited the Group's hotel segment. Strong consumption demand and commercial activities underpinned a solid performance for the Group's Property Investment segment.

2011 FINANCIAL SUMMARY

All operating units of the Group performed well in 2011.

Group turnover and operating profit increased by 94% and 71% respectively to HK$1,296.6 million and HK$484.1 million. Profit attributable to Shareholders, including the net surplus from the revaluation of investment properties, increased by 8% to HK$1,095.5 million. Earnings per share (before property revaluation) were HK$0.47.

Net cash further improved to HK$2.7 billion by year end on strong China property sales. Net asset value increased by 7% to HK$16.17 per share, or to HK$21.11 per share if the Group's hotel is restated at market value.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 18 cents per share. This would bring the total dividend for 2011 to 24 cents per share.

PROSPECTS

Economic development in the Mainland will continue at a solid pace. This provides safeguard for Hong Kong against global challenges, as well as opportunities for local corporates.

The pace of realisation of the China property business will accelerate and generate rapid growth for the Group. This will strengthen the financial position to fund the Suzhou IFC development, and allow the Group to explore re-investment opportunities should they arise.

The Marco Polo Hongkong Hotel will benefit from the inbound tourism growth. The improved product offering following the phased renovation allows the hotel to capture the growing spending of international and Chinese travellers.

The Group is building a bigger and better business to enhance Shareholders' value in the years ahead.

Stephen T H Ng
Chairman

Hong Kong, 8 March 2012

FINANCIAL HIGHLIGHTS

	2011	2010
	HK$ Million	*HK$ Million*
Results		
Turnover	**1,296.6**	667.3
Operating profit	**484.1**	282.6
Profit before attributable property revaluation surplus	**336.0**	226.0
Profit attributable to equity shareholders	**1,095.5**	1,014.9
Earnings per share		
– After property revaluation	**HK$1.55**	HK$1.43
– Before property revaluation	**HK$0.47**	HK$0.32
Dividends per share	**HK$0.24**	HK$0.20
Financial position		
Total assets	**22,844.6**	18,266.6
Net cash	**2,700.3**	171.8
Shareholders' equity	**11,462.9**	10,673.9
Total equity	**12,278.7**	11,439.7
Net asset value per share	**HK$16.17**	HK$15.06
Net debt to total equity	**N/A**	N/A

	Group profit to equity shareholders					Earnings per share		
Financial year	**Before property revaluation** *HK$ Million*	**After property revaluation** *HK$ Million*	**Total equity** *HK$ Million*	**Shareholders' equity** *HK$ Million*	**Net asset value per share** *HK$*	**Before property revaluation** *HK$*	**After property revaluation** *HK$*	**Dividends per share** *HK$*
2002(Note)	12.8	12.8	4,239.7	4,239.7	13.46	0.04	0.04	0.17
2003(Note)	169.4	169.4	4,686.6	4,686.6	14.88	0.54	0.54	0.17
2004	249.0	371.7	3,505.6	3,505.6	11.13	0.79	1.18	0.17
2005	293.4	517.1	4,096.3	4,096.3	13.00	0.93	1.64	0.17
2006	344.9	422.7	4,778.0	4,778.0	15.17	1.09	1.34	0.29
2007	503.4	638.4	5,945.1	5,748.1	18.24	1.60	2.03	0.29
2008	133.3	170.5	7,762.8	7,067.0	14.96	0.28	0.36	0.20
2009	303.7	535.1	9,876.8	9,175.0	12.95	0.48	0.84	0.20
2010	226.0	1,014.9	11,439.7	10,673.9	15.06	0.32	1.43	0.20
2011	**336.0**	**1,095.5**	**12,278.7**	**11,462.9**	**16.17**	**0.47**	**1.55**	**0.24**

Please refer to Ten-year Financial Summary on page 80.

Note: The profit for 2002 and 2003 excluded investment properties revaluation surplus in accordance with the prevailing accounting standards.

BUSINESS REVIEW

China Properties

The vibrant economic development of China continued with a 9.2% GDP growth in 2011. The wealth creation and accumulation process has stimulated strong demand for quality urban living.

The Group's investment in Mainland properties started to bear fruit in 2011 with the first revenue and profit recognition for the year, when the initial phase of 19,000 square metres of Changzhou Times Palace was completed and recognised to generate turnover of HK$454 million and operating profit of HK$98 million.

The pace of property completion will accelerate with an estimated 230,000 square metres of area budgeted for recognition in 2012.

As at the end of 2011, the Group had an attributable land bank of 2.4 million metres. At a book value of HK$12 billion, it represented 75% of the Group's business assets.

Sales

Two new projects, namely, Chongqing U World and Suzhou Times City, were launched for pre-sales during 2011. Together with further sales from projects previously launched, a total of 264,000 square metres of properties were sold during the year for RMB4.2 billion, 31% higher than in 2010.

As at the end of 2011, the net order book increased to RMB6.7 billion for 394,000 square metres of properties, which will be recognised from 2012 onwards.

Pre-sales of Chongqing U World commenced in April 2011. On an attributable basis, 49,000 square metres were sold during the period at an average price of RMB20,000 per square metre for proceeds of RMB977 million. Total sold GFA represents 21% of the project total.

Pre-sales of Suzhou Times City commenced in mid-May. In total, 83,000 square metres were sold at an average price of RMB13,400 per square metre for proceeds of RMB1.1 billion. Total sold GFA represents 9% of the project total.

Shanghai Xiyuan released additional phases during 2011, with 25,000 square metres sold by year end at an average price of RMB51,300 per square metre for proceeds of RMB1.3 billion. Cumulative GFA sold represents 75% of the project total.

Additional phases of Changzhou Times Palace were also launched, with over 108,000 square metres sold at an average price of RMB24,400 per square metre for the villas and RMB7,800 per square metre for the towers, for total proceeds of RMB886 million. Cumulative GFA sold represents 26% of the project total.

Development Progress

Changzhou Times Palace includes residential towers, semi-detached houses and villas, a 32-suite State Guest House, a five-star hotel with 272 rooms and 139 serviced apartments, with a total GFA of 800,000 square metres. Construction is underway and the first phase of residence was completed in the second half of 2011. The State Guest House, the five-star hotel and serviced apartments will be completed in 2013, with a full completion for 2014 scheduled.

Shanghai Xiyuan comprises 11 medium-rise towers and a luxurious club house with a total GFA of 100,000 square metres. Project completion in 2012 is expected. The metro station nearby is already in operation to provide easy access to the city centre.

Chongqing U World, a joint development with China Overseas Land & Investment with the Group owning 55%, offers an attributable GFA of 235,000 square metres with most of the residences enjoying panoramic river views from different angles. The development is located in the heart of the new Jiangbei CBD near the Grand Theatre, Science Museum and Chongqing Central Park providing a quality living environment. The project is scheduled for completion in phases by 2015.

In Suzhou, the Group has two projects being developed through a joint venture owned 80:20 respectively by the Group and Genway Housing Development.

Suzhou Times City, located along the main east-west thoroughfare of Xiandai Da Dao near a future metro station, offers a GFA of 907,000 square metres. Construction for the initial phases is underway with full completion scheduled by 2018.

Business and Financial Review

Suzhou IFC (International Finance Centre) is a 450-metre skyscraper landmark development in the new CBD overlooking Jinji Lake and in close proximity to a future metro station. It is designed by the internationally renowned architect, Kohn Pedersen Fox, and comprises Grade A office, luxurious sky apartments and a premium hotel with full scenery of Suzhou that offer a total GFA of 351,000 square metres. Total project cost for this investment property will exceed RMB5 billion. Construction is underway with scheduled completion by 2016.

Hotel

The Marco Polo Hongkong Hotel ("MPHK Hotel") benefitted from the strong inbound tourism to Hong Kong during 2011. This segment posted revenue and profit growth of 22% and 37% respectively. Average room rate increased by 18% while average occupancy climbed by 5 percentage points to 83% in 2011.

The favourable location of MPHK Hotel within Harbour City provides convenience for business and leisure travelers. The phased renovation to uplift its product offering was completed at the end of 2011.

Property Investment

The Property Investment Segment performed well during 2011 with an 18% growth in turnover and a 20% increase in operating profit, reflecting strong local business and consumption demand. The Group's property investment portfolio, which comprises the office and retail areas of MPHK Hotel and the Star House retail units, were revalued by an independent valuer as at 31 December 2011. Net revaluation surplus for 2011 was HK$759.5 million.

FINANCIAL REVIEW

(I) Review of 2011 Final Results

Turnover

Group turnover increased substantially by 94% to HK$1,296.6 million (2010: HK$667.3 million), primarily due to the first recognition of property sales in the Mainland and the continuous increase in hotel and rental revenues.

Hotel revenue increased by 22% to HK$553.4 million (2010: HK$452.4 million). MPHK Hotel's average room rate improved by 18%; occupancy reached 83%.

Property Investment revenue increased by 18% to HK$194.0 million (2010: HK$164.4 million). In a robust retail market, higher rental and occupancy were achieved after reshuffling the tenant mix.

Property Development recognised HK$453.5 million (2010: HK$1.1 million) of sales revenue. The phased completion of Changzhou Times Palace gave the Group its first revenue and profit from development projects in the Mainland.

Investment and other income increased by 94% to HK$95.7 million (2010: HK$49.4 million), mainly as a result of increase in interest income from the Group's larger cash position.

Operating Profit

Group operating profit increased by 71% to HK$484.1 million (2010: HK$282.6 million).

Hotel profit increased by 37% to HK$174.5 million (2010: HK$127.5 million). Property Investment profit increased by 20% to HK$169.4 million (2010: HK$141.1 million).

Property Development profit was HK$97.7 million (2010: loss of HK$25.9 million). This marked the first profit recognition from development projects in the Mainland.

Profit from investment and others increased by 94% to HK$95.7 million (2010: HK$49.4 million).

Increase in Fair Value of Investment Properties

The Group's completed investment properties were stated at the valuations carried out by an independent valuer as at 31 December 2011 resulting in a total valuation gain of HK$759.5 million in 2011 (2010: HK$788.9 million). In accordance with the prevailing accounting standard, the Group's investment properties under development is carried at cost and will not be carried at fair value until the earlier of its fair value first becoming reliably measurable and the date of completion.

Other Net Loss

Other net loss of HK$56.7 million for the year mainly arose from foreign exchange loss (2010: HK$14.7 million).

Finance Costs

Net finance cost for the year was HK$9.9 million (2010: HK$9.1 million), net of capitalisation of HK$17.5 million (2010: HK$19.7 million) for the Group's Mainland projects.

Share of Results after Tax of Associate and Jointly Controlled Entities

Share of loss of associate and jointly controlled entities after tax was HK$15.1 million (2010: HK$4.4 million), mainly representing the pre-operating expenses for a Mainland development project.

Income Tax

The taxation charge for the year increased to HK$66.7 million (2010: HK$29.0 million) as a result of an increase in taxable profit.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2011 amounted to HK$1,095.5 million (2010: HK$1,014.9 million), representing an increase of 8%. Earnings per share were HK$1.55 (2010: HK$1.43) based on 708.8 million shares in issue.

Excluding the investment property surplus of HK$759.5 million (2010: HK$788.9 million), Group profit attributable to equity shareholders for the year was HK$336.0 million (2010: HK$226.0 million), representing an increase of 49%.

(II) Liquidity, Financial Resources and Commitments

Shareholders' and Total Equity

As at 31 December 2011, the Group's shareholders' equity was HK$11,462.9 million (2010: HK$10,673.9 million), equivalent to HK$16.17 per share (2010: HK$15.06 per share). Including non-controlling interests, the Group's total equity stood at HK$12,278.7 million (2010: HK$11,439.7 million).

The hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. Restating the hotel property at the valuation as at 31 December 2011 carried out by an independent valuer would give rise to an additional revaluation surplus of HK$3,503.2 million and increase the Group's shareholders' equity as at 31 December 2011 to HK$14,966.1 million, equivalent to HK$21.11 per share.

Total Assets

The Group's total assets increased by 25% to HK$22,844.6 million (2010: HK$18,266.6 million), including HK$15,857.0 million of business assets, HK$5,841.5 million of bank deposits and cash, as well as HK$1,119.1 million of available-for-sale investments.

The Group's major business assets included properties for sale of HK$8,716.5 million plus interest held through jointly controlled entities of HK$1,558.8 million and investment properties of HK$4,289.7 million. Geographically, HK$11,906.2 million or 75% of the Group's total business assets were located in Mainland China.

Debt / Cash

As at 31 December 2011, the Group had net cash of HK$2,700.3 million (2010: HK$171.8 million), which was made up of HK$5,841.5 million of cash and HK$3,141.2 million of bank borrowings.

Finance and Availability of Facilities and Funds

As at 31 December 2011, the Group's available loan facilities amounted to HK$4,616.8 million, of which HK$3,141.2 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties and properties under development for sale with total carrying value of HK$4,200.4 million (2010: HK$2,503.2 million).

The Group's debts were denominated in HKD, USD and RMB. Further RMB borrowings will be sourced to finance the development cost of the Mainland projects.

The use of derivative financial instruments was strictly controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD and RMB, to facilitate the Group's business and investment activities. As at 31 December 2011, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK$1,119.1 million (2010: HK$1,744.3 million), which is available for liquidation to meet the Group's commitment if necessary. The performance of the portfolio was largely in line with the general stock market.

Net Cash Flows from Operating and Investing Activities

For the year under review, the Group generated HK$2,453.6 million of net cash inflow from operating activities (2010: HK$2,350.3 million), primarily from the pre-sales of the Group's development projects. For investing activities, the Group had net cash inflow of HK$86.3 million, mainly representing purchase of fixed assets offset by decrease in advance to jointly control entities.

Commitments

As at 31 December 2011, the Group's total contracted commitments amounted to HK$2.6 billion which was substantially related to Mainland development projects. Apart from that, the Group plans to invest HK$16.9 billion mainly on construction costs to complete the Group's China development projects, which will be carried out by stages in the forthcoming years and funded by internal financial resources, proceeds from property pre-sales and bank loans.

(III) Human Resources

The Group had approximately 680 employees as at 31 December 2011. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2011, all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which were in force during such financial year, were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2011, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

(I) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five Board meetings were held during the financial year ended 31 December 2011. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meetings
Chairman	
Stephen T H Ng	5/5
Non-executive Directors	
Doreen Y F Lee	5/5
T Y Ng	4/5
Paul Y C Tsui	5/5
Independent Non-executive Directors	
Joseph M K Chow	4/5
H M V de Lacy Staunton	4/5
Michael T P Sze	5/5
Brian S K Tang	5/5

Each Director of the Company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring formal Board approval were arranged by means of circulation of written resolutions.

(II) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Stephen T H Ng serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, half thereof being Independent Non-executive Directors.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors. The re-election of each of those Independent Non-executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

(F) BOARD COMMITTEES

(I) Remuneration Committee

The Company has set up a Remuneration Committee (the "RC") consisting of the Chairman of the Company and two Independent Non-executive Directors.

One RC meeting was held during the financial year ended 31 December 2011. Attendance of the Members is set out below:

Members	Attendance/Number of Meeting
Stephen T H Ng *(Chairman of RC during the year)*	1/1
Michael T P Sze *(Chairman of RC from 1 February 2012 onwards)*	1/1
Brian S K Tang	1/1

(i) The terms of reference of the RC are aligned with the provisions set out in the Code as recently revised which comes into force from 1 April 2012 onwards (the "Revised Code"). Given below are the main duties of the RC:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.

(ii) The work performed by the RC for the financial year ended 31 December 2011 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and senior management;

(b) consideration of the emoluments for all Directors and senior management; and

(c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to each of the Directors of the Company, currently at the rate of HK$40,000 per annum, and the fee payable to each of those Directors who are also Members of the Audit Committee of the Company, currently at the rate of HK$15,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(II) Nomination Committee

The Company set up a Nomination Committee on 1 February 2012 comprising 3 members, namely, the Chairman of the Company Mr Stephen T H Ng (as its chairman) and two Independent Non-executive Directors, namely, Mr Michael T P Sze and Mr Brian S K Tang.

The terms of reference of the Nomination Committee are aligned with the provisions set out in the Revised Code. Given below are the main duties of the Nomination Committee:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of Independent Non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.

(III) Audit Committee

Since 1 October 2011, all the Members of the Audit Committee of the Company are Independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Michael T P Sze has the appropriate professional qualifications and experience in financial matters.

Two Audit Committee meetings were held during the financial year ended 31 December 2011. Attendance of the Members is set out below:

Members	Attendance/Number of Meetings
Michael T P Sze *(Chairman)*	2/2
Joseph M K Chow *(appointed on 1 October 2011)*	0/0
T Y Ng *(resigned on 1 October 2011)*	1/2
Brian S K Tang	2/2

(i) The terms of reference of the Audit Committee are aligned with the provisions set out in the Revised Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(A) Relationship with the Company's auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(B) Review of financial information of the Company

(a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) regarding (B)(a) above:

(i) members of the Committee should liaise with the Company's Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

(C) *Oversight of the Company's financial reporting system and internal control procedures*

(a) to review the Company's financial controls, internal control and risk management systems;

(b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(c) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(d) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters in the Code Provisions in the Listing Rules;

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

(j) to act as the key representative body for overseeing the Company's relations with the external auditors; and

(k) to consider other topics, as defined by the Board.

(D) *Oversight of the Company's Corporate Governance Matters*

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to consider other topics, as defined by the Board.

(ii) The work performed by the Audit Committee for the financial year ended 31 December 2011 is summarised below:

(a) approval of the remuneration and the appointment and terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(G) AUDITORS' REMUNERATION

The fees in relation to the audit services for the financial year ended 31 December 2011 provided by KPMG, the external auditors of the Company, amounted to HK$1.4 million.

(H) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the Audit Committee. The external auditors have access to a full set of internal audit reports.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2011. Based on the result of the review, in respect of the financial year ended 31 December 2011, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(I) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2011, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2011:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(J) COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy was adopted by the Company on 8 March 2012 to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.harbourcentre.com.hk. Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals.

The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions.

(K) SHAREHOLDERS' RIGHTS

(I) Convene an Extraordinary General Meeting

Pursuant to Section 113 of the Hong Kong Companies Ordinance, on requisition by one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address, fax number and telephone number by which Shareholders may at any time address their concerns or enquiries to the Company's Board.

(III) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.

(ii) The procedures for proposing resolution(s) to be moved at a Shareholders' meeting are as follows:

Shareholder(s) can submit a written requisition to move a resolution at a Shareholders' meeting pursuant to Section 115A of the Hong Kong Companies Ordinance if they –

(a) represent not less than 2.5% of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the Shareholders' meeting; or

(b) are no less than 50 Shareholders holding the Company's shares on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000.

The written requisition must –

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the Shareholders' meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the Company's registered office (16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong) for the attention of the Company Secretary not less than 6 weeks (as required in most circumstances under the applicable laws) before the Shareholders' meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the Shareholders' meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all Shareholders in accordance with the requirements under the applicable laws and rules.

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries, associate and jointly controlled entities are set out on pages 77 and 78.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2011 are set out in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income on pages 25 and 26 respectively.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 29 and in Note 25 to the Financial Statements on page 58 respectively.

DIVIDENDS

A first interim dividend of 6 cents per share was paid on 29 September 2011. The Board has declared a second interim dividend of 18 cents per share in respect of the financial year ended 31 December 2011, payable on 25 May 2012 to Shareholders on record as at 18 May 2012. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2011.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Financial Statements on pages 38 to 40.

DONATIONS

The Group made donations during the financial year totalling HK$2.8 million.

DIRECTORS

The Directors of the Company during the financial year were Mr Stephen T H Ng, Dr Joseph M K Chow, Mr H M V de Lacy Staunton, Ms Doreen Y F Lee, Mr T Y Ng, Mr Michael T P Sze, Mr Brian S K Tang and Mr Paul Y C Tsui.

Messrs Stephen T H Ng, H M V de Lacy Staunton and Paul Y C Tsui are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement 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, with the exception that there existed certain outstanding options to subscribe for ordinary shares of the Company's holding company, namely, The Wharf (Holdings) Limited ("Wharf"), granted under Wharf's Share Option Scheme (the "Scheme") to certain employees/directors of Wharf group, some of whom were Directors of the Company during the financial year.

Under the rules of the Scheme, shares of Wharf would be issued at such prices as being equal to the highest of (i) the indicative price as specified in the written offer; (ii) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (iii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iv) the nominal value of a share of Wharf; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of offer for the grant of relevant options, as determined by the board of directors of Wharf. During the financial year, no share of Wharf was issued to any Director of the Company under the Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 8 March 2012

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(i) Directors

Stephen Tin Hoi NG, *Chairman (Age: 59)*

Mr Ng has been the Chairman and a Director of the Company since 2009. He also serves as a member and the chairman of the Company's Nomination Committee and a member of the Company's Remuneration Committee. He is the deputy chairman of publicly-listed Wheelock and Company Limited ("Wheelock"), which is the ultimate holding company of the Company, and the deputy chairman and managing director of publicly-listed The Wharf (Holdings) Limited ("Wharf"), of which the Company is a subsidiary. Mr Ng is also the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE"), a publicly-listed fellow subsidiary of the Company. Furthermore, he is the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, and a director of both Wharf Estates Limited ("WEL") and Wheelock Investments Limited ("WIL"), all being fellow subsidiaries of the Company, as well as a director of certain subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce").

Joseph Ming Kuen CHOW, *OBE, JP, Director (Age: 70)*

Dr Chow, *RPE, FHKIE, FICE, FIStructE, FCIT, MIHT,* has been an Independent Non-executive Director of the Company since 2010. He also serves as a member of the Company's Audit Committee. He is a professional civil and structural engineer. He is the chairman of Joseph Chow & Partners Limited and is an independent non-executive director of three companies publicly listed in Hong Kong, namely, Build King Holdings Limited, Chevalier International Holdings Limited and Road King Infrastructure Limited. He was formerly an independent non-executive director of PYI Corporation Limited from September 2004 to September 2011 and a non-executive director of Wheelock Properties Limited ("WPL", formerly a listed public company until it became a wholly-owned subsidiary of Wheelock in July 2010) from 2003 to 2010. Dr Chow also serves as the chairman of the Hong Kong Construction Workers Registration Authority and a Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. He was formerly the president of The Hong Kong Institution of Engineers, the chairman of the Hong Kong Examinations and Assessment Authority, a member of Hong Kong Housing Authority and a member of Hospital Authority.

Hugh Maurice Victor de LACY STAUNTON, *Director (Age: 76)*

Mr de Lacy Staunton has been an Independent Non-executive Director of the Company since 2001. He was a career banker with HSBC for 37 years. Immediately prior to retirement from HSBC, Mr de Lacy Staunton was chairman and managing director of HSBC Trustee and a director of a number of other HSBC companies. He was formerly a director of publicly-listed The Cross-Harbour (Holdings) Limited. He is a member of the investment subcommittee of The Community Chest and is chairman of the advisory committee to The Bradbury Charitable Foundation.

Doreen Yuk Fong LEE, *Director (Age: 55)*

Ms Lee has been a Director of the Company since 2010. She is an executive director of Wharf. She is also the vice chairman and senior managing director of Wharf China Estates Limited, the senior managing director of Harbour City Estates Limited and Times Square Limited, and the managing director of WEL, all being fellow subsidiaries of the Company. Ms Lee is responsible for overseeing the investment properties of the Wharf group in Hong Kong and Mainland China, including two core properties of Wharf group, namely, Harbour City and Times Square, and also four Times Square developments in Shanghai, Chongqing, Wuhan and Dalian respectively. Furthermore, she is a director of Joyce. Ms Lee is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon).

Tze Yuen NG, *Director (Age: 64)*

Mr Ng, *ACPA, ACMA*, has been a Director of the Company since 1994. He is also an executive director of Wharf, as well as the vice chairman and senior managing director of Wharf China Development Limited and a director of WF Investment Partners Limited ("WFIP"), both being fellow subsidiaries of the Company. Furthermore, he was formerly a director of WPL from November 1999 to August 2010. Mr Ng is also a director of certain subsidiaries of the Company.

Michael Tsai Ping SZE, *Director (Age: 66)*

Mr Sze, *FCA (Eng. & Wales), FCCA, FCPA (Practising)*, has been an Independent Non-executive Director of the Company since 2007. He also serves as a member and the chairman of the Company's Audit Committee and Remuneration Committee as well as a member of the Company's Nomination Committee. Mr Sze has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from The University of Hong Kong. He was a former member of The Securities and Futures Appeals Tribunal. He was also a former council member and member of the Main Board Listing Committee of the Stock Exchange. Mr Sze is an independent non-executive director of GOME Electrical Appliances Holding Limited, Greentown China Holdings Limited and Walker Group Holdings Limited, all of which are listed on the Stock Exchange. He was formerly a non-executive director of publicly-listed Burwill Holdings Limited from June 2000 to October 2011 and an independent non-executive director of publicly-listed C Y Foundation Group Limited from 2007 to 2009.

Brian See King TANG, *Director (Age: 62)*

Mr Tang has been an Independent Non-executive Director of the Company since 2008. He also serves as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. He has over 30 years of comprehensive experience in accounting and financial management. He graduated with a Bachelor Degree in Science from the California State University of Long Beach, U.S.A. He was the senior vice president of CITIC Ka Wah Bank Limited ("CKWB") for four years from 1997 with responsibilities covering treasury operations, remittance, bills operations, general services, property management, information technology and loan administration. He also served as a director of CKWB from 1998 to 2001. Before joining CKWB, he worked with various large organisations including 17-year service at Morgan Guaranty Trust Co. as vice president and financial controller, and one-year service at Cheung Kong (Holdings) Limited as chief accountant.

Paul Yiu Cheung TSUI, *Director (Age: 65)*

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 2009. He is an executive director and group chief financial officer of both Wheelock and Wharf. Mr Tsui joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is presently a director of i-CABLE and Wheelock Properties (Singapore) Limited, being a publicly-listed fellow subsidiary of the Company. Furthermore, he is the vice chairman of WPL, and a director of WEL, WFIP, WIL and Upfront International Limited ("UIL", being a fellow subsidiary of the Company), as well as a director of certain subsidiaries of the Company. Mr. Tsui is also a director of Joyce.

Notes: (1) Wheelock, Wharf, WFIP, WEL, WIL and UIL (of which Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr T Y Ng and/or Mr Paul Y C Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, and considers them independent.

(ii) Senior Management

During the financial year, the senior management responsibilities of the Group were vested with the Chairman in conjunction with the Group's Hotel Manager and the Group's Property Project Manager, both being wholly-owned subsidiaries of Wharf.

(B) DIRECTORS' INTERESTS IN SHARES

At 31 December 2011, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, of Wharf (which is the Company's parent company), of Wheelock (which is Wharf's parent company), and of i-CABLE (which is a fellow subsidiary of the Company), and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
Michael T P Sze	37,500 (0.0053%)	Family interest
Wheelock		
Stephen T H Ng	300,000 (0.0148%)	Personal interest
T Y Ng	70,000 (0.0034%)	Personal interest
Wharf		
Doreen Y F Lee	1,500,000 (0.0495%)	Personal interest
Stephen T H Ng	2,304,445 (0.0761%)	Personal interest
T Y Ng	1,720,294 (0.0568%)	Personal interest
Michael T P Sze	50,099 (0.0017%)	Family interest
Paul Y C Tsui	1,500,000 (0.0495%)	Personal interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal interest
T Y Ng	17,801 (0.0009%)	Personal interest

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at 31 December 2011 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial year.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2011, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names		No. of ordinary shares (percentage of issued capital)
(i)	Upfront International Limited	505,210,196 (71.28%)
(ii)	Wharf Estates Limited	505,210,196 (71.28%)
(iii)	The Wharf (Holdings) Limited	505,210,196 (71.28%)
(iv)	WF Investment Partners Limited	505,210,196 (71.28%)
(v)	Wheelock Investments Limited	505,210,196 (71.28%)
(vi)	Wheelock and Company Limited	505,210,196 (71.28%)
(vii)	HSBC Trustee (Guernsey) Limited	505,210,196 (71.28%)
(viii)	Harson Investment Limited	57,054,375 (8.05%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (vii) above in that they represent the same block of shares.

All the interests stated above represented long positions and as at 31 December 2011, there were no short position interests recorded in the Register.

(D) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Four Directors of the Company, namely, Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr T Y Ng and Mr Paul Y C Tsui, being also directors of Wharf and/or certain subsidiaries of Wharf, are considered as having an interest in Wharf under Rule 8.10 of the Listing Rules.

Ownership of hotels, and ownership of property for letting and for development carried on by subsidiaries of Wharf constitute competing businesses to the Group.

Two hotels in Hong Kong, namely, The Gateway and The Prince, owned by wholly-owned subsidiaries of Wharf are considered as competing with The Marco Polo Hongkong Hotel (the "Hotel") owned by the Group. In view of the Wharf group's expertise and very good track record in the management and operation of hotels throughout the Asia Pacific region, the Group has engaged Marco Polo Hotels Management Limited ("MPHML"; being a wholly-owned subsidiary of Wharf) to act as manager to operate, direct, manage and supervise the Hotel. MPHML is also responsible for the operation of The Gateway and The Prince, and some other hotels in the Asia Pacific region. MPHML has agreed, *inter alia*, to operate the Hotel as a first class hotel, failing which, the Group has the right to unilaterally terminate the engagement of MPHML.

The business of property development in Mainland China owned by the Wharf group are also considered as competing with the Group's property development projects in Mainland China. In view of the Wharf group's expertise in project management and sales and marketing of properties in Mainland China, the Group has engaged a wholly-owned subsidiary of Wharf as the project managers and sales and marketing agents for the construction, development, sales and marketing of the Group's property development projects in Mainland China.

For safeguarding the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's hotel and property development businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wharf group.

(E) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2011:

(i) the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

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

(F) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2011 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on pages 49 to 50.

(G) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 4 to the Financial Statements on page 36.

(H) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2011.

(I) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain continuing connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 2 April 2007, 16 November 2009 and 18 August 2010 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Hotel Operations Agreement with the Wharf group

By an operations agreement dated 2 April 2007, as supplemented by a memorandum of addendum dated 16 November 2009 (the "Hotel Management Agreement"), entered into between The Hongkong Hotel Limited ("HKHL", a wholly-owned subsidiary of the Company) and MPHML, for the re-appointment of MPHML as the manager of the Hotel for a period expiring on 31 December 2012 to supervise, direct, manage and control the operation of the Hotel for HKHL, which is the owner of the Hotel.

The management fees payable under the Hotel Management Agreement are subject to annual cap amounts previously disclosed in the abovementioned announcement dated 16 November 2009 and the total amount of fees paid by HKHL to MPHML for the financial year ended 31 December 2011 amounted to HK$43.9 million.

The purpose of the re-appointment of MPHML as the Hotel's manager under the Hotel Management Agreement is that HKHL may continue to benefit from MPHML's expertise in the operation, direction, management and supervision of the Hotel.

As the Company is a 71.28%-owned subsidiary of Wharf, the Hotel Management Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

(ii) Master Services Agreement with the Wharf group in respect of development properties in Mainland China

On 18 August 2010, four individual services agreements (the "Individual Agreements") were entered into between a wholly-owned subsidiary of the Company and a wholly-owned subsidiary of Wharf (the "Manager/Agent") for the purpose of engaging the Manager/Agent to provide property project management services and property sales and marketing services (the "Services") for the development properties owned by the Group in Changzhou and Shanghai.

Also on 18 August 2010, a master property services agreement (the "Master Services Agreement") was entered into between the Company and Wharf for a term of two years from 1 June 2010 to 31 May 2012 for the purpose of, *inter alia*, regulating various continuing connected transactions (including those under the Individual Agreements) involving the provision of the Services by Wharf group to the Group and providing the maximum annual aggregate amount of remuneration that will be payable by the Group to the Manager/Agent under the Individual Agreements and all further individual services agreements from time to time during the two-year term of the Master Services Agreement to be separately entered into between member(s) of the Group and member(s) of Wharf group in respect of the Services provided by the Manager/Agent for the development properties owned by the Group in Mainland China.

The annual aggregate amount of remuneration payable by the Group under the Master Services Agreement are subject to aggregate annual cap amounts previously disclosed in the abovementioned announcement dated 18 August 2010 and the aggregate amount of remuneration paid by the Group to Wharf group for the financial year ended 31 December 2011 amounted to HK$20.5 million.

As the Company is a 71.28%-owned subsidiary of Wharf, the Individual Agreements and the Master Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(iii) Confirmation from Directors etc.

The Directors, including the Independent Non-executive Directors, of the Company have reviewed the continuing connected transactions mentioned under Section I(i) & I(ii) above (the "Transactions") and confirmed that the Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have advised the following:

(1) the Transactions had been approved by the Company's Board of Directors;

(2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions;

(3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2011; and

(4) for transactions involving the provision of goods and services by the Group, nothing came to the attention of the auditors of the Company that caused them to believe the transactions were not, in any material respects, in accordance with the pricing policies of the Group.

Independent Auditor's Report

TO THE SHAREHOLDERS OF HARBOUR CENTRE DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Harbour Centre Development Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 25 to 78 which comprise the consolidated and company statements of financial position 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 statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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

8 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011** **HK$ Million**	2010 HK$ Million
Turnover	1	**1,296.6**	667.3
Direct costs and operating expenses		**(645.4)**	(281.1)
Selling and marketing expenses		**(83.5)**	(42.6)
Administrative and corporate expenses		**(36.3)**	(22.4)
Operating profit before depreciation, interest and tax		**531.4**	321.2
Depreciation		**(47.3)**	(38.6)
Operating profit	2	**484.1**	282.6
Increase in fair value of investment properties		**759.5**	788.9
Other net loss	3	**(56.7)**	(14.7)
		1,186.9	1,056.8
Finance costs	4	**(9.9)**	(9.1)
Share of results after tax of:			
Associate	11	**—**	0.1
Jointly controlled entities	12(b)	**(15.1)**	(4.5)
Profit before taxation		**1,161.9**	1,043.3
Income tax	5(a)	**(66.7)**	(29.0)
Profit for the year		**1,095.2**	1,014.3
Profit attributable to:			
Equity shareholders	6	**1,095.5**	1,014.9
Non-controlling interests		**(0.3)**	(0.6)
		1,095.2	1,014.3
Earnings per share	7		
Basic		**HK$1.55**	HK$1.43
Diluted		**HK$1.55**	HK$1.43

The notes and principal accounting policies on pages 32 to 78 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 8.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011	2010
	HK$ Million	*HK$ Million*
Profit for the year	**1,095.2**	1,014.3
Other comprehensive income		
Exchange difference on translation of:	**462.4**	312.3
– financial statements of overseas subsidiaries	**378.7**	254.4
– financial statements of jointly controlled entities	**83.7**	57.9
Net revaluation reserves of available-for-sale investments:	**(573.9)**	336.4
– (deficit)/surplus on revaluation	**(575.7)**	428.7
– transferred to consolidated income statement on disposal	**1.8**	(92.3)
Actuarial (losses)/gains on defined benefit pension schemes	**(7.9)**	2.6
Other comprehensive income for the year	**(119.4)**	651.3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**975.8**	1,665.6
Total comprehensive income attributable to:		
Equity shareholders of the Company	**937.8**	1,640.6
Non-controlling interests	**38.0**	25.0
	975.8	1,665.6

The notes and principal accounting policies on pages 32 to 78 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	**2011** **HK$ Million**	2010 HK$ Million
Non-current assets			
Investment properties		**4,289.7**	3,351.6
Leasehold land		**54.2**	15.2
Other properties, plant and equipment		**305.2**	100.9
Total fixed assets	9	**4,649.1**	3,467.7
Interest in an associate	11	**0.1**	0.1
Interest in jointly controlled entities	12	**1,558.8**	1,756.3
Available-for-sale investments	13	**1,119.1**	1,744.3
Employee retirement benefit assets	14	**10.7**	16.1
Deferred tax assets	22	**21.8**	11.7
		7,359.6	6,996.2
Current assets			
Properties for sale	15	**8,716.5**	7,335.3
Inventories		**2.9**	2.7
Trade and other receivables	16	**690.2**	301.6
Prepaid tax	5(h)	**228.7**	102.3
Derivative financial assets	17	**5.2**	6.7
Bank deposits and cash	18	**5,841.5**	3,521.8
		15,485.0	11,270.4
Current liabilities			
Trade and other payables	19	**724.0**	465.6
Pre-sale deposits and proceeds	20	**6,561.7**	2,855.8
Derivative financial liabilities	17	**31.2**	46.5
Bank loans	21	**300.0**	900.0
Taxation payable	5(g)	**78.5**	79.2
		7,695.4	4,347.1
Net current assets		**7,789.6**	6,923.3
Total assets less current liabilities		**15,149.2**	13,919.5
Non-current liabilities			
Derivative financial liabilities	17	**4.3**	6.2
Bank loans	21	**2,841.2**	2,450.0
Deferred tax liabilities	22	**25.0**	23.6
		2,870.5	2,479.8
NET ASSETS		**12,278.7**	11,439.7
Capital and reserves			
Share capital	24	**354.4**	354.4
Reserves		**11,108.5**	10,319.5
Shareholders' equity		**11,462.9**	10,673.9
Non-controlling interests		**815.8**	765.8
TOTAL EQUITY		**12,278.7**	11,439.7

The notes and principal accounting policies on pages 32 to 78 form part of these financial statements.

Stephen T H Ng
Chairman

Paul Y C Tsui
Director

Company Statement of Financial Position

As at 31 December 2011

	Note	**2011** **HK$ Million**	2010 HK$ Million
Non-current asset			
Interest in subsidiaries	10	**6,928.1**	7,222.3
Current assets			
Trade and other receivables		**0.3**	0.2
Bank deposits and cash		**0.1**	2.2
		0.4	2.4
Current liabilities			
Trade and other payables		**0.6**	0.7
Amounts due to subsidiaries	10	**2,144.9**	2,789.0
		2,145.5	2,789.7
Net current liabilities		**(2,145.1)**	(2,787.3)
NET ASSETS		**4,783.0**	4,435.0
Capital and reserves			
Share capital	24	**354.4**	354.4
Reserves	25(a)	**4,428.6**	4,080.6
TOTAL EQUITY		**4,783.0**	4,435.0

The notes and principal accounting policies on pages 32 to 78 form part of these financial statements.

Stephen T H Ng
Chairman

Paul Y C Tsui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Shareholders' equity							
	Share capital *HK$ Million*	Share premium *HK$ Million*	Investments revaluation reserve *HK$ Million*	Revenue reserve *HK$ Million*	Exchange reserve *HK$ Million*	Total shareholders' equity *HK$ Million*	Non-controlling interests *HK$ Million*	Total equity *HK$ Million*
At 1 January 2010	354.4	3,287.0	702.4	4,601.3	229.9	9,175.0	701.8	9,876.8
Profit for the year	—	—	—	1,014.9	—	1,014.9	(0.6)	1,014.3
Other comprehensive income	—	—	336.4	2.6	286.7	625.7	25.6	651.3
Total comprehensive income for the year	—	—	336.4	1,017.5	286.7	1,640.6	25.0	1,665.6
Shares issued by a subsidiary	—	—	—	—	—	—	39.0	39.0
Final dividends paid in respect of 2009	—	—	—	(106.3)	—	(106.3)	—	(106.3)
Interim dividends paid in respect of 2010	—	—	—	(35.4)	—	(35.4)	—	(35.4)
At 31 December 2010 and 1 January 2011	**354.4**	**3,287.0**	**1,038.8**	**5,477.1**	**516.6**	**10,673.9**	**765.8**	**11,439.7**
Profit for the year	**—**	**—**	**—**	**1,095.5**	**—**	**1,095.5**	**(0.3)**	**1,095.2**
Other comprehensive income	**—**	**—**	**(573.9)**	**(7.9)**	**424.1**	**(157.7)**	**38.3**	**(119.4)**
Total comprehensive income for the year	**—**	**—**	**(573.9)**	**1,087.6**	**424.1**	**937.8**	**38.0**	**975.8**
Shares issued by a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**12.0**	**12.0**
Final dividends paid in respect of 2010 (Note 8)	**—**	**—**	**—**	**(106.3)**	**—**	**(106.3)**	**—**	**(106.3)**
First interim dividends paid in respect of 2011 (Note 8)	**—**	**—**	**—**	**(42.5)**	**—**	**(42.5)**	**—**	**(42.5)**
At 31 December 2011	**354.4**	**3,287.0**	**464.9**	**6,415.9**	**940.7**	**11,462.9**	**815.8**	**12,278.7**

The notes and principal accounting policies on pages 32 to 78 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	**2011** **HK$ Million**	2010 HK$ Million
Operating cash inflow	(a)	**431.6**	272.7
Changes in working capital	(a)	**2,148.0**	2,192.5
Cash generated from operations	(a)	**2,579.6**	2,465.2
Interest received		**54.1**	12.1
Interest paid on bank loans		**(20.9)**	(24.0)
Dividends received from an associate		**—**	0.2
Dividends income from listed investments		**37.5**	37.6
Hong Kong profits tax paid		**(47.2)**	(38.5)
PRC taxation paid		**(149.5)**	(102.3)
Net cash generated from operating activities		**2,453.6**	2,350.3
Investing activities			
Payment for the purchase of fixed assets		**(229.0)**	(113.6)
Net increase in interest in an associate		**(1.4)**	(4.2)
Net decrease/(increase) in interest in jointly controlled entities		**266.0**	(51.9)
Payment for the purchase of available-for-sale investments		**—**	(523.3)
Proceeds from sale of available-for-sale investments		**50.7**	440.8
Net cash generate from/(used in) investing activities		**86.3**	(252.2)
Financing activities			
Drawdown of new bank loans		**691.2**	550.0
Repayment of bank loans		**(900.0)**	(158.6)
Issue of shares by a subsidiary to non-controlling interests		**12.0**	39.0
Dividends paid		**(148.8)**	(141.7)
Net cash (used in)/generated from financing activities		**(345.6)**	288.7
Net increase in cash and cash equivalents		**2,194.3**	2,386.8
Cash and cash equivalents at 1 January		**3,521.8**	1,124.0
Effect on exchange rate changes		**125.4**	11.0
Cash and cash equivalents at 31 December		**5,841.5**	3,521.8

Cash and cash equivalents represent bank deposits and cash.

The notes and principal accounting policies on pages 32 to 78 form part of these financial statements.

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2011 ***HK$ Million***	2010 *HK$ Million*
Operating profit	**484.1**	282.6
Depreciation	**47.3**	38.6
Dividends income from listed investments	**(41.6)**	(37.6)
Interest income	**(54.1)**	(11.8)
Exchange (gain)/loss	**(4.1)**	0.9
Operating cash inflow	**431.6**	272.7
Change in employee retirement benefit assets	**(2.5)**	(2.5)
Increase in properties for sale	**(1,212.0)**	(608.1)
(Increase)/decrease in inventories	**(0.2)**	0.2
Increase in trade and other receivables	**(377.9)**	(204.3)
Increase in trade and other payables	**247.5**	234.1
Increase in pre-sale deposits and proceeds	**3,564.2**	2,855.8
Change in derivative financial instruments (net)	**(73.9)**	(97.2)
Increase in amounts due to fellow subsidiaries (net)	**2.8**	14.5
Changes in working capital	**2,148.0**	2,192.5
Cash generated from operations	**2,579.6**	2,465.2

1. SEGMENT REPORTING

The Group managed its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are hotel, property investment and property development. No operating segment has been aggregated to form reportable segments.

Hotel segment represents the operations of the Marco Polo Hongkong Hotel. Some of the Group's development projects in Mainland China include hotel properties.

Property investment segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Some of the Group's development projects in Mainland China include properties which are intended to be held for investment purposes on completion.

Property development segment encompasses activities relating to the acquisition, design, development, marketing and sale of trading properties primarily in Mainland China.

Management evaluates performance based on operating profit as well as the equity share of results of associate and jointly controlled entities of each segment.

Segment business assets principally comprise all tangible, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, available-for-sale investments, derivative financial instruments and deferred tax assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

(a) Analysis of segment results

	Turnover *HK$ Million*	Operating profit *HK$ Million*	Increase in fair value of investment properties *HK$ Million*	Other net loss *HK$ Million*	Finance costs *HK$ Million*	Share of results after tax of associate *HK$ Million*	Share of results after tax of jointly controlled entities *HK$ Million*	Profit before taxation *HK$ Million*
2011								
Hotel	**553.4**	**174.5**	**—**	**—**	**(7.8)**	**—**	**—**	**166.7**
Property investment	**194.0**	**169.4**	**759.5**	**—**	**—**	**—**	**—**	**928.9**
Property development	**453.5**	**97.7**	**—**	**1.2**	**—**	**—**	**(15.1)**	**83.8**
Segment total	**1,200.9**	**441.6**	**759.5**	**1.2**	**(7.8)**	**—**	**(15.1)**	**1,179.4**
Investment and others	**95.7**	**95.7**	**—**	**(57.9)**	**(2.1)**	**—**	**—**	**35.7**
Corporate expenses	**—**	**(53.2)**	**—**	**—**	**—**	**—**	**—**	**(53.2)**
Total	**1,296.6**	**484.1**	**759.5**	**(56.7)**	**(9.9)**	**—**	**(15.1)**	**1,161.9**
2010								
Hotel	452.4	127.5	—	—	(7.6)	—	—	119.9
Property investment	164.4	141.1	788.9	—	—	—	—	930.0
Property development	1.1	(25.9)	—	(0.5)	—	0.1	(4.5)	(30.8)
Segment total	617.9	242.7	788.9	(0.5)	(7.6)	0.1	(4.5)	1,019.1
Investment and others	49.4	49.4	—	(14.2)	(1.5)	—	—	33.7
Corporate expenses	—	(9.5)	—	—	—	—	—	(9.5)
Total	667.3	282.6	788.9	(14.7)	(9.1)	0.1	(4.5)	1,043.3

(i) Substantially all depreciation were attributable to the Hotel Segment.

(ii) No inter-segment revenue has been recorded during the current and prior years.

(b) Analysis of segment business assets

	2011 HK$ Million	2010 HK$ Million
Hotel	**407.7**	161.5
Property investment	**4,386.6**	3,428.5
Property development	**11,062.7**	9,392.1
Total segment business assets	**15,857.0**	12,982.1
Unallocated corporate assets	**6,987.6**	5,284.5
Total assets	**22,844.6**	18,266.6

(i) Hotel is stated at amortised cost. Should the completed hotel property be stated based on the valuation as at 31 December 2011 of HK$3,540.0 million (2010: HK$3,010.0 million), the total segment business assets would be increased to HK$19,360.2 million (2010: HK$15,968.8 million).

(ii) Unallocated corporate assets mainly comprise available-for-sale investments, deferred tax assets, bank deposits and cash and other derivative financial assets.

(c) Geographical information

	Revenue		Operating profit/(loss)	
	2011 HK$ Million	2010 HK$ Million	2011 HK$ Million	2010 HK$ Million
Hong Kong	**760.1**	623.0	**349.0**	280.1
Mainland China	**506.8**	11.5	**105.4**	(30.3)
Singapore	**29.7**	32.8	**29.7**	32.8
Group total	**1,296.6**	667.3	**484.1**	282.6

	Specified non-current assets		Total business assets	
	2011 HK$ Million	2010 HK$ Million	2011 HK$ Million	2010 HK$ Million
Hong Kong	**3,800.0**	3,017.8	**3,950.8**	3,143.4
Mainland China	**2,408.0**	2,206.3	**11,906.2**	9,838.7
Group total	**6,208.0**	5,224.1	**15,857.0**	12,982.1

Specified non-current assets represented non-current assets other than employee retirement benefit assets, deferred tax assets, available-for-sale investments and derivative financial assets.

Geographically, HK$11,906.2 million or 75% of the Group's total business asset, based on book cost, were located in Mainland China.

The geographical location of revenue and operating profit/(loss) are analysed based on the location at which services are provided and in case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets are based on the physical location of operations.

Notes to the Financial Statements

2. OPERATING PROFIT

(a) Operating profit is arrived at:

	2011 **HK$ Million**	2010 HK$ Million
After charging/(crediting):		
Depreciation	**47.3**	38.6
Staff costs	**159.2**	137.5
Including:		
– Contributions to defined contribution pension schemes including MPF schemes	**5.9**	4.8
– Income recognised in respect of defined benefit pension schemes (Note 14(v))	**(2.1)**	(1.8)
Auditors' remuneration		
– Audit services	**1.4**	1.0
Cost of trading properties for recognised sales	**325.1**	—
Rental charges under operating leases	**9.0**	5.4
Rental income less direct outgoings (Note)	**(173.7)**	(141.7)
Interest income on bank deposits	**(54.1)**	(11.8)
Dividend income from listed investments	**(41.6)**	(37.6)

Note:

Rental income included contingent rentals of HK$92.0 million (2010: HK$65.1 million).

(b) Directors' emoluments

	Fees *HK$'000*	**Basic salaries housing and other allowances and benefits in kind** *HK$'000*	**Discretionary bonuses and/or performance related bonuses** *HK$'000*	**Retirement scheme contributions** *HK$'000*	**2011 Total** *HK$'000*	2010 Total *HK$'000*
Executive director						
Stephen T H Ng	**40**	**780**	**—**	**—**	**820**	820
Non-executive directors						
T Y Ng (ii)(iii)	**51**	**—**	**—**	**—**	**51**	55
Paul Y C Tsui	**40**	**—**	**—**	**—**	**40**	40
Doreen Y F Lee	**40**	**—**	**—**	**—**	**40**	20
Independent non-executive directors						
Michael T P Sze (ii)	**55**	**—**	**—**	**—**	**55**	55
H M V de Lacy Staunton	**40**	**—**	**—**	**—**	**40**	40
Brian S K Tang(ii)	**55**	**—**	**—**	**—**	**55**	55
Joseph M K Chow (ii)(iv)	**44**	**—**	**—**	**—**	**44**	7
	365	**780**	**—**	**—**	**1,145**	
Total for 2010	312	780	—	—		1,092

Notes:

(i) There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Company's Directors in respect of the years ended 31 December 2011 and 2010.

(ii) Includes Audit Committee Member's fee received by each of relevant Directors based on HK$15,000 per annum for the year ended 31 December 2011 (2010: HK$15,000 per annum).

(iii) Mr T Y Ng ceased to be a member of the Audit Committee of the Company with effect from 1 October 2011.

(iv) Dr Joseph M K Chow was appointed as a member of the Audit Committee of the Company with effect from 1 October 2011.

(c) Emoluments of the highest paid employees

Set out below are analyses of the emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 December 2011 of the five highest paid employees of the Group, none of whom is a director of the Company. The aggregate of the emoluments in respect of the individuals are as follows:

	2011 **HK$ Million**	2010 HK$ Million
Basic salaries, housing allowances, and other allowances and benefits in kind	**5.6**	6.4
Retirement scheme contributions	**0.3**	0.3
Discretionary bonuses and/or performance-related bonuses	**1.1**	0.4
	7.0	7.1

The emoluments of the five highest paid individuals are within the following bands:

Bands (in HK$)	**2011** **Number of individuals**	2010 Number of individuals
Not more than $1,000,000	**1**	1
$1,000,001 - $1,500,000	**2**	2
$1,500,001 - $2,000,000	**1**	2
$2,000,001 - $2,500,000	**1**	—

3. OTHER NET LOSS

	2011 **HK$ Million**	2010 HK$ Million
(Loss)/profit on disposal of available-for-sale investments – including HK$1.8 million (2010: HK$92.3 million) reclassified from the investments revaluation reserve	**(0.6)**	132.4
Net exchange loss	**(56.1)**	(147.1)
	(56.7)	(14.7)

Apart from the above net exchange differences, the Group also had a total exchange gain arising from the translation of the net investments in Mainland China subsidiaries and jointly controlled entities of HK$462.4 million (2010: HK$312.3 million), which has been dealt with as other comprehensive income.

4. FINANCE COSTS

	2011 **HK$ Million**	2010 HK$ Million
Interest on bank borrowings wholly repayable within five years	**20.8**	23.8
Other finance costs	**5.6**	5.4
	26.4	29.2
Less: Amount capitalised	**(17.5)**	(19.7)
	8.9	9.5
Fair value changes on cross currency interest rate swaps	**1.0**	(0.4)
	9.9	9.1

(a) Interest was capitalised at an average annual rate of approximately 0.8% (2010: 1.0%).

(b) All interest costs are in respect of interest bearing borrowings that are stated at amortised cost.

(c) The above interest charge has taken into account the interest paid/receipts in respect of cross currency interest rate swaps.

5. INCOME TAX

(a) Taxation charged to the consolidated income statement represents:

	2011 **HK$ Million**	2010 HK$ Million
Current tax		
Hong Kong		
– Provision for the year	**46.5**	38.4
– Overprovision in respect of prior years	**—**	(0.3)
Mainland China		
– Provision for the year	**13.8**	—
	60.3	38.1
Land appreciation tax ("LAT") (Note (d))	**14.4**	—
Deferred tax		
Origination and reversal of temporary differences	**1.8**	2.6
Withholding tax on undistributed retained profits of Mainland China subsidiary (Note (e))	**1.7**	—
Benefit of previously unrecognised tax losses now recognised	**(11.5)**	(11.7)
	(8.0)	(9.1)
Total tax charge	**66.7**	29.0

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

(c) Income tax on profits assessable in Mainland China is calculated at a rate of 25%.

(d) Under the Provisional Regulations on LAT, all gains arising from transfer to real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

(e) The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China. As at 31 December 2011, the Group has provided HK$1.7 million (2010: HK$Nil) for withholding tax on accumulated earnings generated by its Mainland China subsidiary which will be distributed to its immediate holding company outside Mainland China in the foreseeable future.

(f) Reconciliation between the actual total tax charge and accounting profit at applicable tax rates:

	2011 ***HK$ Million***	2010 *HK$ Million*
Profit before taxation	**1,161.9**	1,043.3
Notional tax on accounting profit calculated at applicable tax rates	**198.7**	176.4
Tax effect of non-deductible expenses	**8.5**	10.9
Tax effect of non-taxable fair value gain on investment properties	**(125.3)**	(130.2)
Tax effect of other non-taxable income	**(23.0)**	(45.3)
Tax effect of tax losses not recognised	**3.2**	29.2
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(11.5)**	(11.7)
Overprovision in respect of prior years	**—**	(0.3)
LAT on trading properties	**14.4**	—
Withholding tax for the possible dividend distribution	**1.7**	—
Actual total tax charge	**66.7**	29.0

(g) The taxation payable in the consolidated statement of financial position is expected to be settled within one year.

(h) Prepaid tax represents advance LAT and corporate income tax paid in respect of pre-sale proceeds received from sale of properties in the Mainland China.

(i) There is no share of tax in respect of the associate and the jointly controlled entities.

6. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

The profit attributable to equity shareholders for the year is dealt with in the financial statements of the Company to the extent of HK$496.8 million (2010: HK$432.7 million).

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year attributable to equity shareholders of HK$1,095.5 million (2010: HK$1,014.9 million) and the weighted average of 708.8 million ordinary shares (2010: 708.8 million ordinary shares) in issue during the year.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2011 and 2010.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2011 *HK$ Million*	2010 *HK$ Million*
First interim dividend declared and paid of 6.0 cents (2010: 5.0 cents) per share	**42.5**	35.4
Second interim dividend of 18.0 cents (2010: Find dividend of 15.0 cents) per share proposed after the end of the reporting period	**127.6**	106.3
	170.1	141.7

(a) The proposed second interim dividend has not been recognised as a liability at the end of the reporting period.

(b) The final dividend of HK$106.3 million for 2010 was approved and paid in 2011.

9. FIXED ASSETS

	Group				
	Investment properties *HK$ Million*	**Hotel properties** *HK$ Million*	**Leasehold land** *HK$ Million*	**Others** *HK$ Million*	**Total** *HK$ Million*
Cost or valuation					
At 1 January 2010	2,515.5	99.5	15.9	233.5	2,864.4
Exchange adjustment	14.3	—	—	—	14.3
Additions	32.9	1.1	—	79.5	113.5
Disposals	—	—	—	(30.5)	(30.5)
Revaluation surplus	788.9	—	—	—	788.9
At 31 December 2010 and at 1 January 2011	**3,351.6**	**100.6**	**15.9**	**282.5**	**3,750.6**
Exchange adjustment	**22.1**	**—**	**—**	**0.2**	**22.3**
Additions	**156.5**	**18.9**	**—**	**53.7**	**229.1**
Disposals	**—**	**—**	**—**	**(4.1)**	**(4.1)**
Reclassification	**—**	**179.8**	**39.1**	**—**	**218.9**
Revaluation surplus	**759.5**	**—**	**—**	**—**	**759.5**
At 31 December 2011	**4,289.7**	**299.3**	**55.0**	**332.3**	**4,976.3**
Accumulated depreciation					
At 1 January 2010	—	88.7	0.7	185.1	274.5
Charge for the year	—	3.8	—	34.8	38.6
Written back on disposals	—	—	—	(30.2)	(30.2)
At 31 December 2010 and at 1 January 2011	**—**	**92.5**	**0.7**	**189.7**	**282.9**
Exchange adjustment	**—**	**—**	**—**	**1.1**	**1.1**
Charge for the year	**—**	**5.3**	**0.1**	**41.9**	**47.3**
Written back on disposals	**—**	**—**	**—**	**(4.1)**	**(4.1)**
At 31 December 2011	**—**	**97.8**	**0.8**	**228.6**	**327.2**
Net book value					
At 31 December 2011	**4,289.7**	**201.5**	**54.2**	**103.7**	**4,649.1**
At 31 December 2010	3,351.6	8.1	15.2	92.8	3,467.7

The analysis of cost or valuation of the above assets is as follows:

	Group				
	Investment properties *HK$ Million*	Hotel properties *HK$ Million*	Leasehold land *HK$ Million*	Others *HK$ Million*	Total *HK$ Million*
2011 valuation	**3,665.0**	**—**	**—**	**—**	**3,665.0**
Cost less provisions	**624.7**	**299.3**	**55.0**	**332.3**	**1,311.3**
	4,289.7	**299.3**	**55.0**	**332.3**	**4,976.3**
2010 valuation	2,905.0	—	—	—	2,905.0
Cost less provisions	446.6	100.6	15.9	282.5	845.6
	3,351.6	100.6	15.9	282.5	3,750.6

(a) Tenure of title to properties:

	Group				
	Investment properties *HK$ Million*	Hotel properties *HK$ Million*	Leasehold land *HK$ Million*	Others *HK$ Million*	Total *HK$ Million*
At 31 December 2011					
Held in Hong Kong					
Long term leases	**3,665.0**	**21.7**	**15.1**	**—**	**3,701.8**
Held outside Hong Kong					
Medium term leases	**624.7**	**179.8**	**39.1**	**—**	**843.6**
	4,289.7	**201.5**	**54.2**	**—**	**4,545.4**
At 31 December 2010					
Held in Hong Kong					
Long term leases	2,905.0	8.1	15.2	—	2,928.3
Held outside Hong Kong					
Medium term leases	446.6	—	—	—	446.6
	3,351.6	8.1	15.2	—	3,374.9

(b) Properties revaluation

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Investment properties under development stated at cost amounted to HK$624.7 million (2010: HK$446.6 million). Additions for the year amounted to HK$155.9 million (2010: HK$26.8 million).

Those investment properties stated at fair value as at 31 December 2011 were revalued by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and the Mainland China. Knight Frank has valued the investment properties on a market value basis and has taken into account the net income of the respective properties and allowing for reversionary potential.

The surplus or deficit arising on revaluation is recognised directly in the consolidated income statement.

Gross rental revenue from investment properties amounted to HK$194.0 million (2010: HK$164.4 million).

(c) Impairment of fixed assets

The value of properties, other than investment properties which are revalued annually, is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. No such provision was made or written back for 2011 and 2010.

(d) Hotels under development

As at 31 December 2011, hotel properties under development including leasehold land amounted to HK$218.9 million (2010: HK$Nil) were not subject to depreciation.

(e) The Group leases out its investment properties under operating leases which generally run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may contain a contingent rent element which is based on various percentages of tenants' sales receipts.

(f) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2011 ***HK$ Million***	2010 *HK$ Million*
Within 1 year	**52.7**	82.7
After 1 year but within 5 years	**34.0**	37.8
	86.7	120.5

10. INTEREST IN SUBSIDIARIES

	Company	
	2011 ***HK$ Million***	2010 *HK$ Million*
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**6,928.1**	7,222.3
	6,928.1	7,222.3
Amounts due to subsidiaries	**(2,144.9)**	(2,789.0)

Details of principal subsidiaries at 31 December 2011 are shown on pages 77 to 78.

Amounts due from subsidiaries are unsecured, non-interest bearing with no fixed terms of repayment and hence are classified as non-current as these are not expected to be recoverable within the next twelve months. Amounts due to subsidiaries are unsecured, non-interest bearing with no fixed terms of payment.

11. INTEREST IN AN ASSOCIATE

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Share of net tangible assets	**0.1**	0.1

Details of associate at 31 December 2011 are shown on page 78.

Summary financial information on an associate:

	2011		2010	
	Total	**Attributable interest**	Total	Attributable interest
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Assets	**7.2**	**1.4**	19.4	3.9
Liabilities	**(6.9)**	**(1.3)**	(19.1)	(3.8)
Equity	**0.3**	**0.1**	0.3	0.1
Revenues	**—**	**—**	0.1	—
Profit before taxation	**—**	**—**	0.5	0.1
Taxation	**—**	**—**	—	—
Profit after taxation	**—**	**—**	0.5	0.1

12. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Share of net tangible assets	**1,768.7**	1,700.2
Amounts due (to)/from jointly controlled entities	**(209.9)**	56.1
	1,558.8	1,756.3

Details of jointly controlled entities at 31 December 2011 are shown on page 78.

The amounts due (to)/from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment. It is not expected to be settled/recovered within the next twelve months. The receivables are neither past due nor impaired.

(a) The Group's interest in jointly controlled entities at 31 December 2011 represents its 55%-interest in a limited liability company established for a property development in Chongqing in Mainland China. Notwithstanding the Group's contribution of 55% of the registered capital, as neither the Group nor the joint venture partner has the ability to control the board of directors and economic activities of the company, the Group accounts for its investment in the company as a jointly controlled entity.

(b) The Group's effective interest in the results, assets and liabilities of its jointly controlled entities are summarised below:

	2011 **HK$ Million**	2010 HK$ Million
Non-current assets	**210.5**	0.5
Current assets	**2,308.0**	1,757.8
Current liabilities	**(749.8)**	(2.0)
Non-current liabilities	**—**	(56.1)
Equity	**1,768.7**	1,700.2
Revenues	**—**	—
Loss before taxation	**(15.1)**	(4.5)
Taxation	**—**	—
Loss after taxation	**(15.1)**	(4.5)

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011 **HK$ Million**	2010 HK$ Million
Listed investments stated at market value		
– in Hong Kong	**238.1**	361.4
– outside Hong Kong	**881.0**	1,382.9
	1,119.1	1,744.3

As at 31 December 2011, the fair value of individually impaired available-for-sale investments amounted to HK$37.7 million (2010: HK$31.5 million) and no impairment loss (2010: HK$Nil) was recognised in the consolidated income statement for the year under review.

14. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit pension schemes

The Group makes contributions to two defined benefit pension schemes that provide pension benefits for certain employees upon retirement. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contributions from both employers and employees. The contributions from employers are in accordance with recommendations made by independent actuaries based on their valuation. The latest valuations of the schemes as at 31 December 2011 were performed by Towers Watson Hong Kong Limited, who is an independent qualified actuary, using the projected unit credit method. The funding ratio of the principal scheme is 128.7%.

(i) The defined benefit pension schemes assets recognised in the consolidated statement of financial position is as follows:

	2011 **_HK$ Million_**	2010 _HK$ Million_
Present value of funded obligations	**(37.3)**	(40.2)
Fair value of scheme assets	**48.0**	56.3
Net defined benefit pension scheme assets	**10.7**	16.1

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amount payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$0.3 million in contributions to defined benefit pension schemes in 2012.

(ii) Scheme assets consist of the following:

	2011 **_HK$ Million_**	2010 _HK$ Million_
Equity securities	**32.7**	41.4
Debt securities	**12.8**	13.5
Deposits and cash	**2.5**	1.4
	48.0	56.3

(iii) Movements in the present value of the defined benefit obligations are as follows:

	2011 **_HK$ Million_**	2010 _HK$ Million_
At 1 January	**40.2**	46.6
Net benefits paid by the scheme	**(3.8)**	(3.5)
Employee contributions	**0.2**	0.2
Transfer out members	**—**	(4.3)
Current service cost	**1.2**	1.6
Interest cost	**1.2**	1.2
Actuarial gains	**(1.7)**	(1.6)
At 31 December	**37.3**	40.2

(iv) Movements in the scheme assets are as follows:

	2011 HK$ Million	2010 HK$ Million
At 1 January	**56.3**	57.6
Group's contributions paid to the schemes	**0.4**	0.7
Net benefits paid by the schemes	**(3.8)**	(3.5)
Employee contributions	**0.2**	0.2
Actuarial expected return on scheme assets	**4.5**	4.6
Transfer out members	**—**	(4.3)
Actuarial (losses)/gains	**(9.6)**	1.0
At 31 December	**48.0**	56.3

(v) Income recognised in the consolidated income statement is as follows:

	2011 HK$ Million	2010 HK$ Million
Current service cost	**1.2**	1.6
Interest cost	**1.2**	1.2
Actuarial expected return on scheme assets	**(4.5)**	(4.6)
	(2.1)	(1.8)

The income is recognised in the following line items in the consolidated income statement:

	2011 HK$ Million	2010 HK$ Million
Direct costs and operating expenses	**(2.0)**	(1.7)
Selling and marketing expenses	**(0.1)**	(0.1)
	(2.1)	(1.8)
Actual return on scheme assets	**(5.1)**	5.6

(vi) The principal actuarial assumptions used as at 31 December 2011 are as follows:

		2011	2010
Discount rate at 31 December		**1.5%**	3.0%
Expected rate of return on scheme assets		**6.5%**	8.0%
Future salary increases	2011	**N/A**	3.5%
	onwards	**3.5%**	3.0%

The expected long-term rate of return on scheme assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected return is determined based on market expectation, at the beginning of the period, for returns net of administration costs, over the entire period of the defined benefit obligations.

(vii) Historical information:

	2011 **HK$ Million**	2010 HK$ Million	2009 HK$ Million	2008 HK$ Million	2007 HK$ Million
Present value of the defined benefit obligations	**(37.3)**	(40.2)	(46.6)	(51.4)	(78.4)
Fair value of scheme assets	**48.0**	56.3	57.6	47.8	86.9
Surplus/(deficit) in the schemes	**10.7**	16.1	11.0	(3.6)	8.5
Experience (gain)/loss on scheme liabilities	**(4.6)**	(0.4)	3.4	(25.8)	10.6
Experience loss/(gain) on scheme assets	**9.6**	(1.0)	(10.2)	31.3	(10.9)

(viii) The Group recognised actuarial losses amounting to HK$7.9 million (2010: gains of HK$2.6 million) for the year ended 31 December 2011 directly in the consolidated statement of comprehensive income. The cumulative amount of actuarial losses recognised amounted to HK$10.5 million (2010: HK$2.6 million) as at 31 December 2011.

(b) Defined contribution pension schemes

A number of defined contribution pension schemes (including the Mandatory Provident Fund) administered by independent trustees are available to the employees of the Group not covered by the defined benefit pension schemes. For defined contribution pension schemes, both the Group and the employees contribute respectively to the schemes sums which represent percentages of the employees' salaries as defined under the relevant trust deeds. The contributions by the Group are expensed as incurred and may be reduced by contributions forfeited for those employees who have left the scheme prior to full vesting of the related contributions.

15. PROPERTIES FOR SALE

	Group	
	2011 **HK$ Million**	2010 HK$ Million
Properties under development for sale	**8,693.0**	7,335.3
Completed properties for sale	**23.5**	—
	8,716.5	7,335.3

(a) Included in the properties under development for sale are HK$3,064.8 million which are not expected to be realised within one year from the end of the reporting period.

(b) The carrying value of leasehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Held outside Hong Kong		
Long lease	**6,630.4**	6,483.1
Medium lease	**—**	37.3
	6,630.4	6,520.4

16. TRADE AND OTHER RECEIVABLES

(a) Ageing analysis

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis based on invoice date as at 31 December 2011 as follows:

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Trade receivables		
0 - 30 days	**105.3**	86.5
31 - 60 days	**7.2**	1.0
61 - 90 days	**1.5**	—
Over 90 days	**0.2**	1.7
	114.2	89.2
Prepayments	**458.7**	190.6
Other receivables	**105.8**	9.5
Amounts due from fellow subsidiaries	**11.5**	12.3
	690.2	301.6

The Group has defined credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. All the trade and other receivables are expected to be virtually recoverable within one year.

The amount of the Group's prepayments expected to be recognised as expense after more than one year is HK$184.2 million (2010: HK$124.1 million).

(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. At 31 December 2011 and 2010, no significant amounts of trade receivables were individually determined to be doubtful or impaired.

(c) Trade receivables that are not impaired

As at 31 December 2011 and 2010, the Group assessed that of the total trade receivables, virtually all of them are neither past due nor impaired.

Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2011 Assets *HK$ Million*	**2011 Liabilities *HK$ Million***	2010 Assets *HK$ Million*	2010 Liabilities *HK$ Million*
At fair value through profit or loss (Note c)				
Cross currency interest rate swaps	**5.2**	**5.7**	6.7	6.2
Forward foreign exchange contracts	**—**	**29.8**	—	46.5
Total	**5.2**	**35.5**	6.7	52.7
Analysis				
Current	**5.2**	**31.2**	6.7	46.5
Non-current	**—**	**4.3**	—	6.2
Total	**5.2**	**35.5**	6.7	52.7

Analysis of the remaining maturities at 31 December 2011 of the above derivative financial instruments were as follows:

	Group			
	2011 Assets *HK$ Million*	**2011 Liabilities *HK$ Million***	2010 Assets *HK$ Million*	2010 Liabilities *HK$ Million*
Cross currency interest rate swaps				
Expiring within 1 year	**5.2**	**1.4**	—	—
Expiring after more than 1 year but within 5 years	**—**	**4.3**	6.7	6.2
	5.2	**5.7**	6.7	6.2
Forward foreign exchange contracts				
Expiring within 1 year	**—**	**29.8**	—	46.5
Total	**5.2**	**35.5**	6.7	52.7

(a) The notional principal amounts of derivative financial instruments outstanding at 31 December 2011 were as follows:

	2011 **HK$ Million**	2010 *HK$ Million*
Cross currency interest rate swaps	**2,302.2**	2,302.2
Forward foreign exchange contracts	**1,216.6**	1,176.9

(b) Derivative financial assets represented the amounts the Group would receive whilst derivative financial liabilities represented the amounts the Group would pay if the position were closed at the end of the reporting period.

(c) None of the derivative financial instruments are qualified for hedge accounting and accordingly their corresponding changes in fair values have been recognised in the consolidated income statement.

(d) During the year, a loss of HK$57.3 million (2010: HK$146.0 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

(e) Fair value loss on cross currency interest rate swaps of HK$1.0 million (2010: gain of HK$0.4 million) has been included under finance costs in the consolidated income statement.

18. BANK DEPOSITS AND CASH

Bank deposits and cash as at 31 December 2011 include HK$5,241.7 million equivalent (2010: HK$2,527.3 million) placed with banks in Mainland China, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2011, bank deposits and cash included bank deposits of RMB19.6 million (equivalent to HK$24.2 million) which are solely for certain designated property development projects in Mainland China.

The effective interest rate on bank deposit was 1.1% (2010: 0.5%).

Bank deposits and cash are denominated in the following currencies:

	Group	
	2011 **HK$ Million**	2010 *HK$ Million*
HKD	**513.4**	857.3
USD	**121.2**	260.0
RMB	**5,206.9**	2,404.5
	5,841.5	3,521.8

19. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at 31 December 2011 as follows:

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Trade creditors		
0 - 30 days	**12.2**	14.5
31 - 60 days	**6.0**	3.0
61 - 90 days	**0.5**	1.1
Over 90 days	**0.1**	0.5
	18.8	19.1
Other payables and provisions	**144.3**	192.8
Construction costs payable	**529.4**	222.8
Amounts due to fellow subsidiaries	**30.2**	28.2
Amount due to an associate	**1.3**	2.7
	724.0	465.6

The amounts due to fellow subsidiaries and an associate are unsecured, interest free and repayable on demand.

Included in the above other payables and provisions and construction costs payable, are amounts of HK$9.3 million (2010: HK$18.8 million) which are expected to be settled after one year. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

20. PRE-SALE DEPOSITS AND PROCEEDS

Of the total pre-sale deposits and proceeds received in respect of Mainland China based properties, HK$1,372.0 million (2010: HK$2,462.9 million) are expected to be recognised as income in the consolidated income statement after more than one year.

21. BANK LOANS

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Bank loans repayable:		
Within 1 year or on demand	**300.0**	900.0
After 1 year but within 5 years		
Secured	**1,391.2**	1,200.0
Unsecured	**1,450.0**	1,250.0
	2,841.2	2,450.0
	3,141.2	3,350.0

(a) The Group's borrowings are considered by the management to be effectively denominated in the following currencies (after the effects of cross-currency interest rate swaps arrangements as detailed in Note 23(a)).

	2011 *HK$ Million*	2010 *HK$ Million*
HKD	**2,950.0**	3,350.0
RMB	**191.2**	—
	3,141.2	3,350.0

(b) At 31 December 2011, the Group's banking facilities in the amount of HK$1,391.2 million (2010: HK$1,200.0 million) were secured by certain fixed assets and properties under development for sale with an aggregate carrying value of HK$4,200.4 million (2010: HK$2,503.2 million).

(c) All the interest bearing borrowings are carried at amortised cost. None of the non-current interest bearing borrowings is expected to be settled within one year.

(d) Certain Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year under review, all these covenants have been complied with by the Group.

22. DEFERRED TAXATION

(a) Net deferred tax (assets)/liabilities recognised in the consolidated statement of financial position:

	Group	
	2011 *HK$ Million*	2010 *HK$ Million*
Deferred tax liabilities	**25.0**	23.6
Deferred tax assets	**(21.8)**	(11.7)
Net deferred tax liabilities	**3.2**	11.9

The components of net deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group				
	Depreciation allowances in excess of the related depreciation *HK$ Million*	**Future benefit of tax losses** *HK$ Million*	**Witholding tax for the possible dividend distribution** *HK$ Million*	**Others** *HK$ Million*	**Total** *HK$ Million*
At 1 January 2010	19.2	—	—	1.8	21.0
Charged/(credited) to the consolidated income statement	2.6	(11.7)	—	—	(9.1)
At 31 December 2010 and at 1 January 2011	**21.8**	**(11.7)**	**—**	**1.8**	**11.9**
Charged/(credited) to the consolidated income statement	**1.8**	**(11.5)**	**1.7**	**—**	**(8.0)**
Exchange adjustment	**—**	**(0.7)**	**—**	**—**	**(0.7)**
At 31 December 2011	**23.6**	**(23.9)**	**1.7**	**1.8**	**3.2**

(b) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	2011 **HK$ Million**	2010 *HK$ Million*
Deductible temporary differences	**40.7**	40.7
Future benefit of tax losses	**79.1**	71.8
Net deferred tax assets not recognised	**119.8**	112.5

(c) The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2011. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year end date.

The Company has not recognised deferred tax assets attributable to the future benefit of tax losses of HK$8.8 million (2010: HK$7.0 million) as the availability of future taxable profits against which the assets can be utilised is uncertain as at 31 December 2011.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit in the normal course of business. To manage some of these risks, the Group Finance Committee develops, maintains and monitors the Group's financial policies designed to facilitate cost efficient funding to the Group and to mitigate the impact of fluctuations in interest rates and exchange rates. The financial policies are implemented by the Group's Treasury department, which operates as a centralised service unit in close co-operation with the Group's operating units for managing the day-to-day treasury functions and financial risks and for providing cost efficient funding to the Group.

The Group uses derivatives, principally forward foreign currency contracts and cross currency interest rate swaps, as deemed appropriate, for financing and hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions and invest in financial products with significant underlying leverage which are commercially speculative.

(a) Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's long term borrowings denominated in HKD and USD. The Group has entered into a number of cross currency interest rate swaps with the financial effect of converting the USD borrowings into HKD borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group manages its interest rate risk exposures in accordance with defined policies through regular review with a focus on reducing the Group's overall cost of funding as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

As at 31 December 2011, all the Group's borrowings were at floating rate. After taking into account of cross currency interest rate swaps, the interest rate was approximately 0.9% per annum (2010: 0.6% per annum).

Based on the sensitivity analysis performed on 31 December 2011, it was estimated that a general increase/decrease of 1% (2010: 1%) in interest rates, with all other variables held constant, would increase/decrease the Group's post-tax profit and total equity by approximately HK$1.3 million (2010: HK$7.0 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(b) Foreign currency risk

The Group owns assets and conducts its businesses both in Hong Kong and Mainland China, with its cash flows substantially denominated in HKD and RMB which exposes the Group to foreign currency risk with respect to RMB related to its property development in Mainland China. Anticipated foreign exchange payments relate primarily to RMB capital expenditure.

Where appropriate or available in a cost-efficient manner, the Group may enter into forward foreign exchange contracts to manage its foreign currency risk arising from the anticipated transactions in currencies other than its entities' functional currencies.

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are Hong Kong dollars, their borrowings will be either in Hong Kong dollars or US dollars. For managing the overall financing costs of existing and future capital requirement for the projects in Mainland China, the Group has adopted a diversified funding approach and entered into certain forward foreign exchange contracts. The forward foreign exchange contracts have the financial effect of taking up JPY borrowings, the interest rate of which is relatively lower but exposes the Group to exchange rate risk with respect to JPY. Based on the prevailing accounting standard, such forward foreign exchange contracts need to be marked to market with valuation movements recorded in the consolidated income statement.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Group's entities to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of investment in a subsidiary are excluded.

		Group	
	USD Million	***RMB Million***	***JPY Million***
At 31 December 2011			
Available-for-sale investments	**112.9**	**—**	**—**
Bank deposits and cash	**11.0**	**—**	**—**
Bank loans	**(295.2)**	**—**	**—**
Inter-company balances	**3.4**	**65.7**	**—**
Gross exposure arising from recognised assets and liabilities	**(167.9)**	**65.7**	**—**
Notional amount of forward foreign exchange contracts at fair value through profit or loss	**156.0**	**—**	**(12,381.4)**
Notional amount of cross currency interest rate swaps at fair value through profit or loss	**295.2**	**—**	**—**
Overall net exposure	**283.3**	**65.7**	**(12,381.4)**
At 31 December 2010			
Available-for-sale investments	177.3	—	—
Bank deposits and cash	33.4	—	—
Bank loans	(295.2)	—	—
Inter-company balances	(1.9)	65.7	—
Gross exposure arising from recognised assets and liabilities	(86.4)	65.7	—
Notional amount of forward foreign exchange contracts at fair value through profit or loss	150.9	—	(12,771.9)
Notional amount of cross currency interest rate swaps at fair value through profit or loss	295.2	—	—
Overall net exposure	359.7	65.7	(12,771.9)

At 31 December 2011, the Mainland China subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect of HKD/USD denominated bank deposits and cash in the amount of HK$34.9 million (2010: HK$122.9 million).

As at 31 December 2011 and 2010, the Company with HKD as their functional currency is not exposed to any foreign currency risk.

The following indicates the instantaneous change in the Group's post-tax profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changes at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes movements in value of the USD against other currencies.

— a 5% (2010: 5%) increase/decrease in the exchange rate of JPY against USD will decrease/increase the Group's post-tax profit and total equity by approximately HK$51.8 million (2010: HK$50.7 million).

— the impact on the Group's post-tax profit and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

The sensitivity analysis performed in the above represents an aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including balances between group companies which are denominated in a currency other than the functional currencies of the Group's entities to which they relate. The analysis excludes the differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed at the same basis for 2010.

(c) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments.

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.

Based on the sensitivity analysis performed on 31 December 2011, it is estimated that a 5% (2010: 5%) increase/decrease in the market value of the Group's available-for-sale investments, with all other variables held constant, would not affect the Group's post-tax profit unless there are impairments but would increase/decrease the Group's total equity by HK$55.9 million (2010: HK$87.2 million). The analysis is performed on the same basis for 2010.

(d) Liquidity risk

The Group adopts a prudent liquidity risk management policy, maintaining sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding with staggered maturities to reduce refinancing risk in any year from major financial institutions to maintain flexibility for meeting its liquidity requirements in the short and longer term. The Group's cash management is substantially centralised within the Group Treasury department, which regularly monitors the current and expected liquidity requirements and its compliance with lending covenants.

Certain non wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period and carried at exchange rate prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flow			
	Carrying amount *HK$ Million*	**Total** *HK$ Million*	**Within 1 year or on demand** *HK$ Million*	**More than 1 year but less than 2 years** *HK$ Million*	**More than 2 years but less than 5 years** *HK$ Million*
At 31 December 2011					
Bank loans	**(3,141.2)**	**(3,197.9)**	**(328.7)**	**(2,018.6)**	**(850.6)**
Trade and other payables	**(724.0)**	**(724.0)**	**(714.7)**	**(9.3)**	**—**
Forward foreign exchange contracts at fair value through profit or loss	**(29.8)**	**(29.8)**	**(29.8)**	**—**	**—**
Cross currency interest rate swaps at fair value through profit or loss	**(0.5)**	**6.7**	**3.5**	**3.2**	**—**
	(3,895.5)	**(3,945.0)**	**(1,069.7)**	**(2,024.7)**	**(850.6)**
At 31 December 2010					
Bank loans	(3,350.0)	(3,386.6)	(917.1)	(313.0)	(2,156.5)
Trade and other payables	(465.6)	(465.6)	(446.8)	(18.8)	—
Forward foreign exchange contracts at fair value through profit or loss	(46.5)	(46.5)	(46.5)	—	—
Cross currency interest rate swaps at fair value through profit or loss	0.5	9.2	6.7	5.5	(3.0)
	(3,861.6)	(3,889.5)	(1,403.7)	(326.3)	(2,159.5)

The Company is exposed to liquidity risk that arise from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation and the maximum amount callable as at 31 December 2011 was HK$3.2 billion (2010: HK$3.4 billion).

(e) Credit risk

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents and over-the-counter derivative financial instruments. The exposures to these credit risks are closely monitored on an ongoing basis by the established credit policies and procedures in each of its core businesses. In respect of rental receivables, sufficient rental deposits from tenants are held to cover potential exposure to credit risk. Further, evaluations are made for the customers with reference to their repayment history and financial strength, as well as the economic environment in which the customer operates.

Cash at bank, deposits placed with financial institutions, and investments and transactions involving derivative financial instruments are with counter parties with sound credit ratings to minimise credit risk exposure.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Company as set out in Note 27, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

(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 end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 - Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group			
	Level 1 *HK$ Million*	**Level 2** *HK$ Million*	**Level 3** *HK$ Million*	**Total** *HK$ Million*
At 31 December 2011				
Assets				
Available-for-sale investments:				
– Listed	**1,119.1**	**—**	**—**	**1,119.1**
Derivative financial instruments:				
– Cross currency interest rate swaps	**—**	**5.2**	**—**	**5.2**
	1,119.1	**5.2**	**—**	**1,124.3**
Liabilities				
Derivative financial instruments:				
– Forward foreign exchange contracts	**—**	**29.8**	**—**	**29.8**
– Cross currency interest rate swaps	**—**	**5.7**	**—**	**5.7**
	—	**35.5**	**—**	**35.5**

	The Group			
	Level 1 *HK$ Million*	Level 2 *HK$ Million*	Level 3 *HK$ Million*	Total *HK$ Million*
At 31 December 2010				
Assets				
Available-for-sale investments:				
– Listed	1,744.3	—	—	1,744.3
Derivative financial instruments:				
– Cross currency interest rate swaps	—	6.7	—	6.7
	1,744.3	6.7	—	1,751.0
Liabilities				
Derivative financial instruments:				
– Forward foreign exchange contracts	—	46.5	—	46.5
– Cross currency interest rate swaps	—	6.2	—	6.2
	—	52.7	—	52.7

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

(ii) Estimation of fair values

Listed investments are stated at quoted market prices.

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

The fair value of forward foreign exchange contracts is determined by using forward exchange rates at the end of the reporting period and comparing to the contractual rates. The fair value of cross currency interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rate and current creditworthiness of the swap counter parties.

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 and fellow subsidiaries and related parties are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(g) Capital management

The Group's primary objective when managing capital is 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 shareholders 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 ratio and cash flow requirements, taking into account its future financial obligations and commitments. For this purpose, the Group defines net debt as total loans less bank deposits and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and non-controlling interests.

The net debt-to-equity ratio as at 31 December 2011 and 2010 were as follows:

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Total debts (Note 21)	**3,141.2**	3,350.0
Less: Bank deposits and cash	**(5,841.5)**	(3,521.8)
Net cash	**(2,700.3)**	(171.8)
Shareholders' equity	**11,462.9**	10,673.9
Total equity	**12,278.7**	11,439.7
Net debt-to-shareholders' equity ratio	**N/A**	N/A
Net debt-to-total equity ratio	**N/A**	N/A

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

24. SHARE CAPITAL

	2011		2010	
	No. of shares		No. of shares	
	Million	***HK$ Million***	*Million*	*HK$ Million*
Authorised				
Ordinary shares of HK$0.5 each	**1,200.0**	**600.0**	1,200.0	600.0
Issued and fully paid				
Ordinary shares of HK$0.5 each	**708.8**	**354.4**	708.8	354.4

25. CAPITAL AND RESERVES

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.

The Group's investments revaluation reserves have been set up and will be dealt with in accordance with the accounting policy adopted for the revaluation of available-for-sale investments. The exchange reserve mainly comprises exchange differences arising from the translation of the financial statements of foreign operations.

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.

		Share capital *HK$ Million*	Share premium *HK$ Million*	Revenue reserve *HK$ Million*	Total equity *HK$ Million*
(a)	**The Company**				
	At 1 January 2010	354.4	3,287.0	502.6	4,144.0
	Profit and total comprehensive income	—	—	432.7	432.7
	Final dividends paid for 2009	—	—	(106.3)	(106.3)
	Interim dividends paid for 2010	—	—	(35.4)	(35.4)
	At 31 December 2010 and at 1 January 2011	**354.4**	**3,287.0**	**793.6**	**4,435.0**
	Profit and total comprehensive income	**—**	**—**	**496.8**	**496.8**
	Final dividends paid for 2010 (Note 8)	**—**	**—**	**(106.3)**	**(106.3)**
	First interim dividends paid for 2011 (Note 8)	**—**	**—**	**(42.5)**	**(42.5)**
	At 31 December 2011	**354.4**	**3,287.0**	**1,141.6**	**4,783.0**

(b) Reserves of the Company available for distribution to shareholders at 31 December 2011 amounted to HK$1,141.6 million (2010: HK$793.6 million).

(c) The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(d) After the end of the reporting period the directors proposed a second interim dividend of 18.0 cents per share (2010: final dividend of 15 cents per share) amounting to HK$127.6 million (2010: HK$106.3 million). This dividend has not been recognised as a liability at the end of the reporting period.

26. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year are set out below:

(a) There was in existence a management agreement with a subsidiary of the ultimate holding company for the management of the Group's hotel operations. Fees payable under this arrangement during the current year amounted to HK$43.9 million (2010: HK$32.9 million) which included management fees of HK$34.4 million (2010: HK$26.7 million), marketing fees of HK$7.6 million (2010: HK$6.2 million) and project management fee of HK$1.9 million (2010: HK$Nil). The management fees included a basic fee and an incentive fee which are calculated based on the relevant percentage of gross revenue and gross operating profit respectively. The marketing fee is calculated based on a percentage of gross revenue. The project management fee is calculated based on a percentage of costs and expenses actually incurred. Such transaction constitutes a connected transaction as defined under the Listing Rules.

(b) There was in existence with a subsidiary of the ultimate holding company for the project management services and property sales & marketing services in respect of the Group's China property development projects being developed by subsidiaries. Fees payable under this arrangement during the current year amounted to HK$20.5 million (2010: HK$11.6 million) which included project management fees of HK$10.6 million (2010: HK$4.5 million) and sales & marketing fees of HK$9.9 million (2010: HK$7.1 million). The project management fees and sales & marketing fee are calculated based on the relevant percentage of total construction cost and sale values of property units respectively. Such transaction constitutes a connected transaction as defined under the Listing Rules.

(c) The Group leased out shops situated on G/F, 1/F, 2/F & 3/F of The Marco Polo Hongkong Hotel to Lane Crawford (Hong Kong) Limited, which is indirectly wholly owned by a trust of which the chairman of the Company's ultimate holding company is the settlor. The rental earned by the Group from such shops during the current year, including contingent rental income, amounted to HK$137.5 million (2010: HK$114.5 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

(d) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company is disclosed in Note 2(b).

27. CONTINGENT LIABILITIES

As at 31 December 2011, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank overdrafts and credit facilities up to HK$3,171.1 million (2010: HK$3,396.6 million). Except for the above, the Company does not provide any other guarantee. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil (2010: HK$Nil).

As at the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

28. COMMITMENTS

		Group	
		2011	2010
		HK$ Million	*HK$ Million*
(a)	**Capital commitments (include investment properties)**		
	Contracted but not provided for	**197.6**	139.8
	Authorised but not contracted for	**5,535.9**	4,866.9
		5,733.5	5,006.7
(b)	**Properties under development (other than investment properties)**		
	Contracted but not provided for	**2,221.1**	981.7
	Authorised but not contracted for	**9,367.0**	10,723.8
		11,588.1	11,705.5
(c)	**Properties under development undertaken by jointly controlled entities attributable to the Group**		
	Contracted but not provided for	**197.3**	52.0
	Authorised but not contracted for	**1,992.4**	1,250.4
		2,189.7	1,302.4
(d)	**Expenditure for operating leases**		
	Within one year	**4.4**	5.8
	After one year but within five years	**2.7**	5.3
		7.1	11.1

29. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and new Interpretations 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)	Related party disclosures
Improvements to HKFRSs (2010)	
Amendments to HK(IFRIC) 14	HKAS 19 - The limit on a defined benefit assets, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

The Group has not applied any new standard, amendments or interpretation that is not yet effective for the current accounting period, with the exception of the early adoption on amendments to HKAS 12, Income Taxes, in respect of the recognition of deferred tax on investment properties carried at fair values under HKAS 40, in the consolidated financial statements for the year ended 31 December 2010.

The "Principal accounting policies" set out on pages 63 to 76 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group.

The impacts of other developments are discussed below:

- HKAS 24 (Revised) 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) 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 23 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 consolidated financial statements in the current and previous periods.

30. FUTURE CHANGES IN ACCOUNTING POLICIES

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. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets	1 July 2011
Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27, Separate financial statements (2011)	1 January 2013
HKAS 28, Investments in associates and joint ventures	1 January 2013
Revised HKAS 19, Employee benefits	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.

31. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the Directors proposed a second interim dividend. Further details are disclosed in Note 8.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

33. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2011 to be Wheelock and Company Limited, incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 8 March 2012.

(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 principal 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 29 to the financial statements 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 made up to 31 December comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

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 (W).

(C) BASIS OF CONSOLIDATION

(i) 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 interest are presented in the consolidated statement of financial position 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 statement of financial position in accordance with Notes (L) or (M) 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 interest 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 (H)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entities (see Note (C)(ii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(ii) Associate 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 (C)(iii) and (F)). 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 investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or 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 in the associate or jointly controlled entity 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 jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associate 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 the consolidated income statement.

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 (H)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note (C)(ii)).

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

(iii) Goodwill

Goodwill represents the excess of

(a) 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

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), 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 (F)).

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.

(D) FIXED ASSETS

(i) Investment properties

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period 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 the consolidated income statement. Rental income from investment properties is accounted for as described in Note (P)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, 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 (G).

(ii) Hotel properties

Hotel properties is stated at cost less accumulated depreciation and impairment losses. Hotel properties under development is stated at cost less impairment losses. Depreciation commences when they are available for use.

(iii) Other fixed assets held for own use

Other fixed assets held for own use are stated at cost less accumulated depreciation and impairment losses.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

(E) DEPRECIATION OF FIXED ASSETS

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

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Hotel properties

Depreciation is provided on the cost of the leasehold land of hotel properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of 40 years.

Depreciation on hotel properties under development commence when they are available for use.

(iii) Other fixed assets held for own use

Depreciation is provided at annual rates of 10% to 20% on a straight line basis on the cost of other fixed assets held for own use.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(F) IMPAIRMENT OF ASSETS

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

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associate and jointly controlled entities (including those recognised using the equity method (see Note (C)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note (F)(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 (F)(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 (including those provided during the interim financial reporting).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. 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 investments, the cumulative loss that has been recognised directly in investments revaluation reserve is reclassified to the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement 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 the consolidated income statement.

Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity investments are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors 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 the consolidated income statement.

(ii) Impairment of other assets

The carrying amounts of non-current assets other than properties carried at revalued amounts and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

— Recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised as an expense in the consolidated income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds the 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.

— Reversal 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 (including those provided during the interim financial reporting). A reversal of impairment losses 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 the consolidated income statement in the year in which the reversals are recognised.

— 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 (F)(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 in the consolidated income statement.

(G) 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 leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note (D)(i)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets held under operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement 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 the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(H) INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities (other than investments in subsidiaries, associate and jointly controlled entities) classified as available-for-sale investments 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. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the consolidated income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated income statement. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to the consolidated income statement.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or when they expire.

(I) INVENTORIES

(i) Completed properties for sale

Completed properties for sale are stated at lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties held for sale comprise all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

(ii) Properties under development for sale

Properties under development for sale are classified as current assets and stated at lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised (see note (Q)), materials and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by the management, taking into account the expected price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs to completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

(iii) Hotel consumables

Inventories comprise hotel consumables and are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost 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 represents the estimated selling price in the ordinary course of business less direct selling costs.

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, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(J) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, the fair value is remeasured at the end of each reporting period . The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

(K) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest methods, less allowance for impairment of bad and doubtful debts (see Note (F)), 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 bad and doubtful debts.

(L) INTEREST BEARING BORROWINGS

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings, together with any interest and fees payable using the effective interest method.

(M) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(N) 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 statement of cash flows.

(O) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. The income statement of foreign operating subsidiaries are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Differences arising from the translation of the financial statements of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal. 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.

(P) RECOGNITION OF REVENUE

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 recongised in the consolidated income statement as follows:

(i) Income from hotel operations is recognised at the time when the services are rendered.

(ii) Rental income under operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Income arising from the sale of properties held for sale is recognised upon the later of the signing the sale and purchase agreement or the issue of an occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under pre-sale deposits and proceeds.

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

(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.

(Q) 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 that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(R) INCOME TAX

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases respectively. 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 be capable to 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.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note (D)(i), 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 end of the reporting period 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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 dividend is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

(S) EMPLOYEE BENEFITS

(i) Defined benefit pension schemes

The Group's net obligation in respect of the defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

Any actuarial gains and losses are fully recognised in other comprehensive income in the period they occur.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme less past service cost.

(ii) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, 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 of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(T) 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 top 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.

(U) FINANCIALLY 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 the consolidated income statement on initial recognition of any deferred income.

(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.

(V) RELATED PARTIES

(i) A person, or a close member of that person's family, is related to the Group if that person:

- **(a)** has control or joint control over the Group;
- **(b)** has significant influence over the Group; or
- **(c)** is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- **(a)** 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).
- **(b)** 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).
- **(c)** Both entities are joint ventures of the same third party.
- **(d)** One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- **(e)** The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- **(f)** The entity is controlled or jointly controlled by a person identified in (a).
- **(g)** 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).

(W) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Notes 14 and 23 contain information about the assumptions and their risk relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

— *Assessment of provision for properties held under development and for sale*

Management determines the net realisable value of properties held for sale by using (1) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (2) internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rates of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

— *Valuation of investment properties*

Investment properties are included in the statement of financial position at their market value unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market selling prices and the appropriate capitalisation rate.

— *Assessment of classification of investments in jointly controlled entities*

The classification of investments in jointly controlled entities is based on management's assessment of whether there is joint control over the economic activity of the entity. In assessing joint control, management takes into account of the rights of each of parties over substantive operating decisions. Judgement is required to an extent to determine what constitutes the strategic financial and operating decisions essential to the accomplishment of the goals of the joint venture requiring the unanimous consent of the parties. Management also considers the terms of the shareholder agreements including the governance structure and the resolution of disputes between the parties, profit sharing arrangements and the termination provisions.

— *Assessment of impairment of non-current assets*

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

— *Assessment of the useful economic lives for depreciation of fixed assets*

In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of fixed assets annually, and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

Principal Accounting Policies

— *Recognition of deferred tax assets*

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance and operational and financial cash flows.

— *Income taxes*

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that we initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in Mainland China. Significant judgement is required in determining the amount of the land appreciation and capital gains, based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

— *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production of supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

Principal Subsidiaries, Associate and Jointly Controlled Entities

As at 31 December 2011

Subsidiaries	Place of incorporation/ operation	Issued share capital (all being ordinary shares and fully paid up except otherwise stated)/registered and paid up capital	Effective equity interest to the Company	Principal activities
#Harbour Centre (Hong Kong) Limited	British Virgin Islands	500 US$1 shares	100%	Holding company
#Ocean New Investments Limited	British Virgin Islands	500 US$1 shares	100%	Holding company
Algebra Assets Limited	British Virgin Islands/International	500 US$1 shares	100%	Investment
Mandelson Investments Limited	British Virgin Islands/International	500 US$1 shares	100%	Investment
Power Castle Limited	British Virgin Islands/International	500 US$1 shares	100%	Investment
Manniworth Company Limited	Hong Kong	10,000 HK$1 shares	100%	Property and finance
The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	100%	Hotel and property
Smooth Gain Investments Limited	Hong Kong	1 HK$1 shares	100%	Finance
#HCDL China Development Limited	British Virgin Islands	500 US$1 shares	100%	Holding company
蘇州高龍房產發展有限公司 (Note (a))	The People's Republic of China	RMB3,317,041,045	80%	Property

Principal Subsidiaries, Associate and Jointly Controlled Entities

As at 31 December 2011

Subsidiaries	Place of incorporation/ operation	Issued share capital (all being ordinary shares and fully paid up except otherwise stated)/registered and paid up capital	Effective equity interest to the Company	Principal activities
九龍倉（常州）置業有限公司 (Note (b))	The People's Republic of China	US$229,800,000	100%	Property
上海綠源房地產開發有限公司 (Note (b))	The People's Republic of China	RMB770,000,000	100%	Property
常州馬哥孛羅酒店有限公司 (Note (b))	The People's Republic of China	US$1,050,000	100%	Hotel

Associate	Place of incorporation/ operation	Class of shares	Effective equity Interest to the Company	Principal activities
Kowloon Properties Company Limited	Hong Kong	Ordinary	20%	Property

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Speedy Champ Investments Limited	Hong Kong	Ordinary	55%	Holding company
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	55%	Property

All the subsidiaries listed above were, as at 31 December 2011, indirectly held by the Company except where marked #, which are held directly by the Company.

Notes:

(a) The entity is registered as a sino-foreign joint venture company under PRC law

(b) This entity is registered as a wholly foreign owned enterprise under PRC law

Schedule of Principal Properties

As at 31 December 2011

Address	Approximate Gross Floor Areas (sq.ft.) Total	Office	Retail	Residential	Others	Remarks	Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
Investment Properties in Hong Kong												
The Marco Polo Hongkong Hotel (Commercial Section), Harbour City, Tsimshatsui	206,000	34,000	172,000	—	—	Note (a)	(a)	KML 91 S.A. & KML 10 S.B.	2863	1969	Completed	100%
Units of Star House, 3 Salisbury Road, Kowloon	50,780	—	50,780	—	—		N/A	KML 10 S.A.	2863	1966	Completed	100%
	256,780	34,000	222,780	—	—							
Investment Property in China												
Suzhou IFC Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,780,000	2,728,000	—	800,000	252,000	(A 96-room hotel)	229,069	N/A	2047/77	2016	Foundation in progress	80%
	3,780,000	2,728,000	—	800,000	252,000							
Hotel Property in Hong Kong												
The Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui	553,000	—	—	—	553,000	(A 665-room hotel)	58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	Completed	100%
	553,000	—	—	—	553,000							
Development Properties in China												
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	1,074,000	—	—	1,074,000	—	(808,000 s.f. pre-sold)	638,000	N/A	2077	2012	Superstructure in progress	100%
Changzhou Times Palace China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,381,000	—	—	7,864,000	517,000	(A 272 -room hotel and a State Guest House) (2,019,000 s.f. residential area pre-sold)	4,427,804	N/A	2047/77	2014	Superstructure in progress	100%
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	—	—	9,765,000	—	(890,000 s.f. pre-sold)	5,425,454	N/A	2077	2018	Superstructure in progress	80%
	19,220,000	—	—	18,703,000	517,000							
Development Properties in China (undertaken by jointly controlled entity)												
The U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	—	—	2,524,000	—	(Attributable - Note (b)) (523,000 s.f. pre-sold)	1,002,408	N/A	2057	2015	Superstructure in progress	55%
	2,524,000	—	—	2,524,000	—							
TOTAL	**26,333,780**	**2,762,000**	**222,780**	**22,027,000**	**1,322,000**							

Notes:

(a) Part of The Marco Polo Hongkong Hotel building

(b) The floor area of property held through jointly controlled entity is shown on an attributable basis.

Ten-year Financial Summary

HK$ Million	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Consolidated Income Statement										
Turnover	**1,296.6**	667.3	566.3	664.2	671.1	920.9	526.8	445.0	308.7	335.2
Profit before investment property surplus	**336.0**	226.0	303.7	133.3	503.4	344.9	293.4	249.0	169.4	12.8
Net investment properties surplus (Note a)	**759.5**	788.9	231.4	37.2	135.0	77.8	223.7	122.7	—	—
Profit attributable to shareholders	**1,095.5**	1,014.9	535.1	170.5	638.4	422.7	517.1	371.7	169.4	12.8
Dividends attributable to shareholders	**170.1**	141.7	141.7	94.5	129.2	91.4	53.6	53.6	53.6	53.6
Consolidated Statement of Financial Position										
Fixed assets	**4,649.1**	3,467.7	2,589.9	1,972.6	1,947.1	1,741.6	1,637.3	1,092.1	2,541.8	2,404.6
Interest in an associate	**0.1**	0.1	0.2	0.7	0.8	0.8	14.6	42.4	387.9	884.2
Interest in jointly controlled entities	**1,558.8**	1,756.3	1,650.9	2,586.7	1,964.6	—	—	—	—	—
Available-for-sale investments	**1,119.1**	1,744.3	1,193.0	604.0	2,516.6	1,490.0	922.8	820.4	550.0	523.0
Properties under development/for sale	**8,716.5**	7,335.3	6,472.7	4,972.6	985.3	4.7	240.0	—	—	—
Bank deposits and cash	**5,841.5**	3,521.8	1,124.0	1,258.4	584.8	1,840.2	1,519.6	1,737.5	1,277.4	572.8
Other assets	**959.5**	441.1	119.0	112.1	438.8	91.5	113.7	63.5	44.2	37.8
Total assets	**22,844.6**	18,266.6	13,149.7	11,507.1	8,438.0	5,168.8	4,448.0	3,755.9	4,801.3	4,422.4
Bank loans	**(3,141.2)**	(3,350.0)	(2,953.2)	(3,065.0)	(1,858.9)	—	—	—	—	—
Other liabilities	**(7,424.7)**	(3,476.9)	(319.7)	(679.3)	(634.0)	(390.8)	(351.7)	(250.3)	(114.7)	(182.7)
Net assets	**12,278.7**	11,439.7	9,876.8	7,762.8	5,945.1	4,778.0	4,096.3	3,505.6	4,686.6	4,239.7
Share capital	**354.4**	354.4	354.4	236.3	157.5	157.5	157.5	157.5	157.5	157.5
Reserves	**11,108.5**	10,319.5	8,820.6	6,830.7	5,590.6	4,620.5	3,938.8	3,348.1	4,529.1	4,082.2
Shareholders' equity	**11,462.9**	10,673.9	9,175.0	7,067.0	5,748.1	4,778.0	4,096.3	3,505.6	4,686.6	4,239.7
Non-controlling interests	**815.8**	765.8	701.8	695.8	197.0	—	—	—	—	—
Total equity	**12,278.7**	11,439.7	9,876.8	7,762.8	5,945.1	4,778.0	4,096.3	3,505.6	4,686.6	4,239.7
Financial Data										
Per share data										
Earnings per share (HK$)										
– After property revaluation	**1.55**	1.43	0.84	0.36	2.03	1.34	1.64	1.18	0.54	0.04
– Before property revaluation	**0.47**	0.32	0.48	0.28	1.60	1.09	0.93	0.79	0.54	0.04
Net assets value per share (HK$)	**16.17**	15.06	12.95	14.96	18.24	15.17	13.00	11.13	14.88	13.46
Dividends per share (Cents)	**24.00**	20.00	20.00	20.00	29.00	29.00	17.00	17.00	17.00	17.00
Financial ratios										
Net debt to total equity (%)	**N/A**	N/A	18.5%	23.3%	21.4%	N/A	N/A	N/A	N/A	N/A
Return on shareholders' equity (%) (Note b)	**9.9%**	10.2%	6.6%	2.7%	11.1%	9.5%	13.6%	9.1%	3.8%	0.3%
Dividend cover (Times)										
– After property revaluation	**6.4**	7.2	3.8	1.8	4.9	4.6	9.6	6.9	3.2	0.2
– Before property revaluation	**2.0**	1.6	2.1	1.4	3.9	3.8	5.5	4.6	3.2	0.2
Interest cover (Times) (Note c)	**59.7**	33.8	23.4	5.1	37.5	N/A	N/A	N/A	N/A	N/A

Notes:

(a) *Investment properties surplus on revaluation is after deferred tax for 2008 and before.*

(b) *Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.*

(c) *Interest cover is based on operating profit (before depreciation, interest and tax) over finance costs (after capitalisation but before fair value cost/gain).*

(d) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*