GROWING NETWORK

Annual Report 2012

鷹君集團有限公司
Great Eagle
Holdings Limited

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

GROUP PROFILE

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

The Group's principal holdings include an approximately 58% interest (as at 31 Dec 2012) in Champion Real Estate Investment Trust, which owns 1.56 million square feet of Grade-A commercial office space in Citibank Plaza in the Central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. In the United States, the Group owns three office buildings with a total floor area of 534,000 square feet. The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive international hotel portfolio currently comprises eighteen luxury properties with over 6,500 rooms, including twelve luxury hotels branded under The Langham and Langham Place brands in the gateway cities of Hong Kong, Shanghai, Beijing, Shenzhen, London, Boston, Los Angeles, Sydney, Melbourne and Auckland; four Eaton Hotels in Hong Kong, Shanghai and New Delhi; the 88 Xintiandi Hotel in Shanghai and the Delta Chelsea Hotel in Toronto. Langham Hotels International Limited (a wholly-owned subsidiary of Great Eagle) manages all the hotels with the exception of the Toronto property.

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

The Group had a core profit after tax of approximately HK$1,802 million in the financial year 2012 and a net asset value of approximately HK$37 billion as of 31 December 2012.

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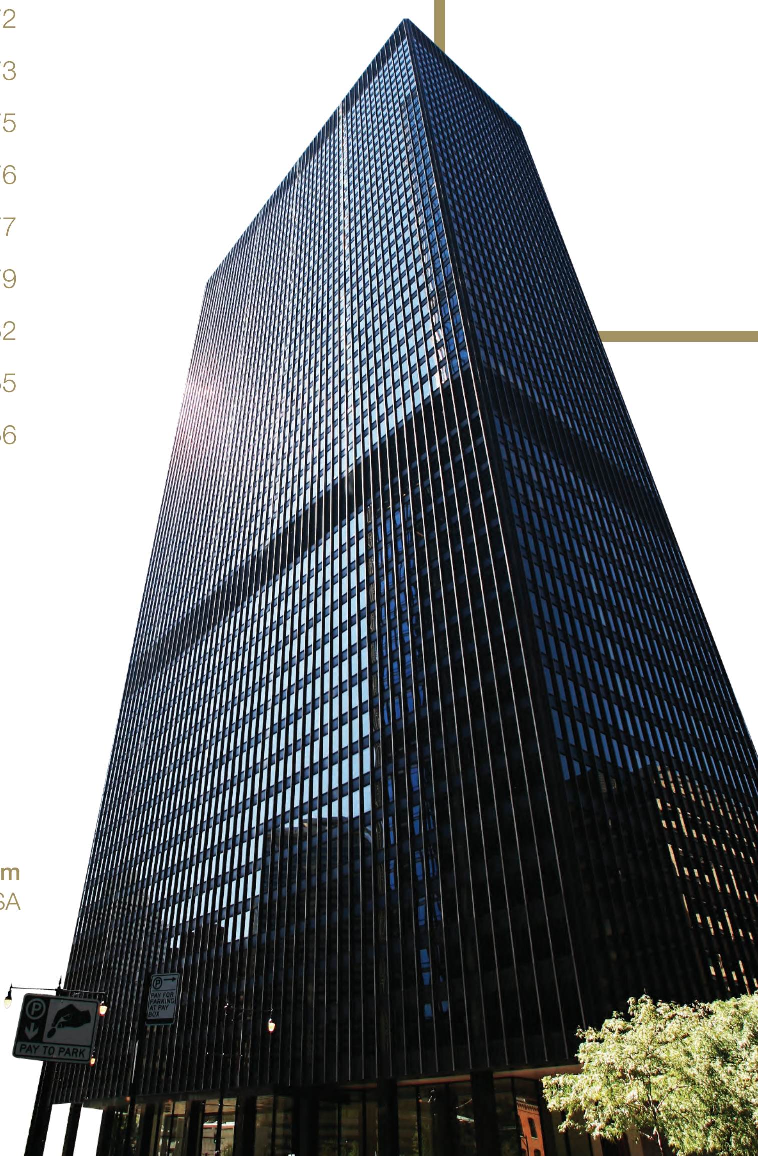


The Langham
Chicago, USA

CORPORATE INFORMATION

Directors

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

Non-executive Directors
* Independent Non-executive Directors

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Finance Committee

LO Ka Shui
LO Kai Shui
KAN Tak Kwong

Company Secretary

WONG Mei Ling, Marina

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

Mayer Brown JSM
Clifford Chance
Appleby

Principal Bankers

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

Registered Office

Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

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

Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk

Website

www.GreatEagle.com.hk

Stock Code

41

DIVIDEND NOTICE AND FINANCIAL CALENDAR

Final Dividend

The Board of Directors recommends the payment of a final dividend of HK43 cents per share for the year ended 31 December 2012 (2011: HK40 cents per share) to Shareholders whose names appear on the Registers of Members on Wednesday, 15 May 2013 subject to the approval of Shareholders at the forthcoming 2013 Annual General Meeting.

Taken together with the interim dividend of HK23 cents per share paid on 16 October 2012, the total dividend for the year 2012 is HK66 cents per share (2011 total dividend: HK61 cents per share, comprising an interim dividend of HK21 cents and a final dividend of HK40 cents). Dividend warrants in respect of the proposed final dividend are expected to be despatched to Shareholders on 21 June 2013.

Closure of Registers of Members

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

(i) For ascertaining Shareholders' entitlement to attend and vote at the 2013 Annual General Meeting

From Monday, 29 April 2013 to Friday, 3 May 2013, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2013 Annual General Meeting. In order to be eligible to attend and vote at the 2013 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 April 2013.

(ii) For ascertaining Shareholders' entitlement to the 2012 final dividend

From Friday, 10 May 2013 to Wednesday, 15 May 2013, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to the 2012 final dividend. In order to qualify for the 2012 final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 May 2013.

Financial Calendar

2012 Interim Results Announcement	:	17 August 2012
Payment of 2012 Interim Dividend of HK23 cents per share	:	16 October 2012
2012 Annual Results Announcement	:	27 February 2013
Closure of Registers of Members		
• For ascertaining Shareholders' entitlement to attend and vote at the 2013 Annual General Meeting		29 April 2013 – 3 May 2013 (both days inclusive)
• For ascertaining Shareholders' entitlement to the 2012 Final Dividend		10 May 2013 – 15 May 2013 (both days inclusive)
2013 Annual General Meeting	:	3 May 2013
Record Date for 2012 Final Dividend	:	15 May 2013
Payment of 2012 Final Dividend of HK43 cents per share	:	21 June 2013

FINANCIAL HIGHLIGHTS

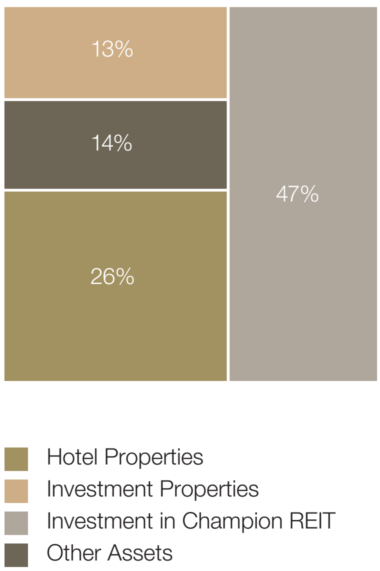
Key Financial Figures	2012 HK$ million	2011 HK$ million	Change
	Year ended 31 December		
Based on core business			
Revenue from core business	**5,679.8**	5,320.5	**6.8%**
Core profit after tax attributable to equity holders	**1,802.1**	1,687.1	**6.8%**
Core profit after tax attributable to equity holders (per share)	**HK$2.86**	HK$2.67	
Based on statutory accounting principles			
Revenue based on statutory accounting	**4,993.3**	4,746.3	**5.2%**
Statutory Profit attributable to equity holders	**3,551.8**	4,227.2	**-16.0%**
Interim Dividend (per share)	**HK$0.23**	HK$0.21	
Final Dividend (per share)	**HK$0.43**	HK$0.40	
Total Dividend (per share)	**HK$0.66**	HK$0.61	

	As at the end of	
	Dec 2012	Dec 2011
Net Gearing	**1%**	3%
Book value (per share)	**HK$58.5**	HK$53.4

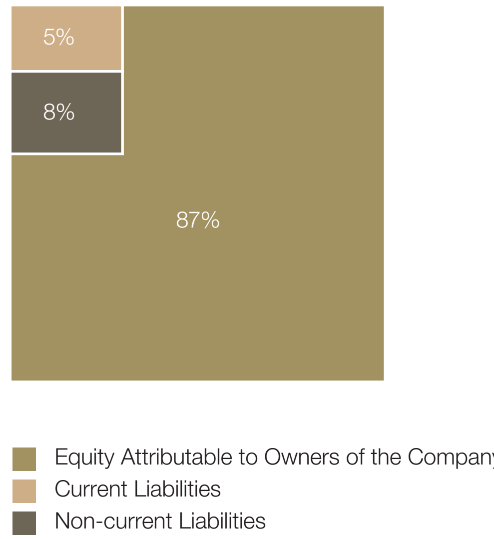
On the basis of core business, figures exclude fair value changes relating to the Group's properties and financial assets, and are based on attributable dividend income from Champion REIT, which the Group believes to be a more meaningful measure of return from our investment in the REIT. Whereas financial figures prepared under statutory accounting principles are based on applicable accounting standards, which include fair value changes and incorporate share of results of Champion REIT as our investment was classified as an associate company. In fact, the decline in statutory profit in 2012 from the prior year was primarily due to lower share of results of Champion REIT, given lower revaluation surplus booked for the REIT's properties in 2012. The following management's discussion and analysis focuses on core businesses of the Group.

For financials prepared under statutory accounting principles, it should be noted that due to changes on considerations for consolidating interests in other entities, our investment in Champion REIT will be reclassified from an associate to a subsidiary. Consequently, the Group will consolidate results of Champion REIT from 2013 onwards. This will have an impact on financials prepared based on statutory accounting principles, but will not have an impact on the Group's core profit for equity holders which is currently based on attributable distributions from the REIT. There are more details of such change under "Income from Champion Real Estate Investment Trust".

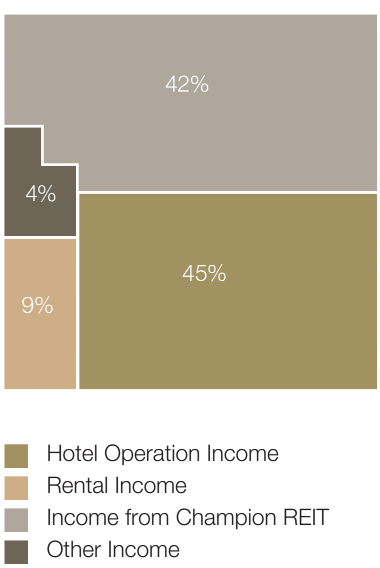
Assets Employed
Total Assets HK$42,284 million



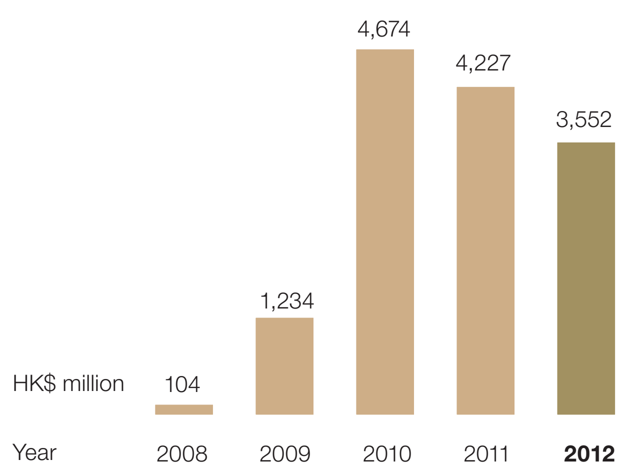
Financed by



Core Operating Income
HK$2,302 million



Profit Attributable to Owners of the Company



CHAIRMAN'S STATEMENT

Financial Figures based on Core business

	Year ended 31 December		
	2012 HK$ million	2011 HK$ million	**Change**
Revenue from core business			
Hotels Division	**4,094.7**	3,903.5	**4.9%**
Gross Rental Income	**301.1**	295.3	**2.0%**
Management Fee Income from Champion	**272.8**	264.3	**3.2%**
Dividend Income from Champion REIT	**686.5**	574.1	**19.6%**
Other operations	**324.7**	283.3	**14.6%**
	5,679.8	5,320.5	**6.8%**
Operating Income			
Hotel EBITDA	**1,045.8**	1,023.1	**2.2%**
Net Rental Income	**196.4**	175.8	**11.7%**
Management Fee Income from Champion	**272.8**	264.3	**3.2%**
Dividend Income from Champion REIT	**686.5**	574.1	**19.6%**
Operating Income from other operations	**100.5**	101.1	**-0.6%**
	2,302.0	2,138.4	**7.7%**
Depreciation and amortisation	**(134.9)**	(124.0)	**8.8%**
Administration expenses	**(236.7)**	(222.6)	**6.3%**
Other income/(expense)	**15.9**	(14.3)	**-211.2%**
Interest income	**125.4**	167.9	**-25.3%**
Finance costs	**(107.6)**	(100.0)	**7.6%**
Share of results of associates	**39.1**	19.5	**100.5%**
Share of results of a jointly controlled entity	**(9.9)**	(9.0)	**10.0%**
Core profit before taxation	**1,993.3**	1,855.9	**7.4%**
Taxes	**(190.4)**	(168.8)	**12.8%**
Core profit after tax	**1,802.9**	1,687.1	**6.9%**
Non-controlling interest*	**(0.8)**	–	**n.a.**
Core profit after tax attributable to equity holders	**1,802.1**	1,687.1	**6.8%**

* The inclusion of non-controlling interest from 2012 is due to the implementation of a Management Sharing Scheme by one of our subsidiary companies.

Financial Figures based on Statutory Accounting Principles

	Year ended 31 December		
	2012 HK$ million	2011 HK$ million	Change
Revenue based on statutory accounting principles			
Hotels Division	4,094.7	3,903.5	4.9%
Gross Rental Income	301.1	295.3	2.0%
Management Fee Income from Champion	272.8	264.3	3.2%
Other operations	324.7	283.3	14.6%
	4,993.3	4,746.4	5.2%
Operating Income			
Hotel EBITDA	1,045.8	1,023.1	2.2%
Net Rental Income	196.4	175.8	11.7%
Management Fee Income from Champion	272.8	264.3	3.2%
Operating income from other operations	100.5	101.1	-0.6%
	1,615.5	1,564.3	3.3%
Depreciation and amortisation	(372.6)	(362.1)	2.9%
Fair value changes on investment properties	435.0	678.7	-35.9%
Net gain (loss) on derivative financial instruments	43.7	(614.9)	-107.1%
Impairment loss for hotel properties	–	(90.9)	n.a.
Administration expenses	(236.7)	(222.6)	6.3%
Other income/(expense)	15.9	(14.3)	-211.2%
Interest income	140.0	191.3	-26.8%
Finance costs	(107.6)	(100.0)	7.6%
Share of results of associates, including share of results of Champion REIT	2,252.1	3,375.8	-33.3%
Share of results of a jointly controlled entity	(9.9)	(9.0)	10.0%
Statutory profit before taxation	3,775.4	4,396.3	-14.1%
Taxes	(222.8)	(169.1)	31.7%
Statutory profit after tax	3,552.6	4,227.2	-16.0%
Non-controlling interest*	(0.8)	–	n.a.
Statutory profit attributable to equity holders	3,551.8	4,227.2	-16.0%

* The inclusion of non-controlling interest from 2012 is due to the implementation of a Management Sharing Scheme by one of our subsidiary companies.

Overview

While 2012 marked another year of ongoing uncertainties in the global economies, the Group managed to deliver improved performance for the year. Revenue from core business increased 6.8% to HK$5,680 million in 2012 (2011: HK$5,321 million). The increase was primarily due to higher contribution from the Hotels Division, followed by higher distribution income from Champion REIT.

Given the increase in revenue, operating income of the Group rose 7.7% to HK$2,302 million in 2012 (2011: HK$2,138 million). Core profit after tax attributable to equity holders of the Group increased 6.8% to HK$1,802 million in 2012 (2011: HK$1,687 million).

Taking advantage of weak asset prices amidst the economic uncertainties, we undertook two expansion initiatives, including acquisition of a 96-key hotel in downtown Sydney and pending acquisition of a 214-key hotel in midtown Manhattan, New York, to strengthen our asset base and to expand the Langham network globally during 2012.

On January 24, 2013, we have announced our intention to spin off a stake of not more than 49% in our three hotels in Hong Kong. That would help unlock the value of the assets and increase financial resources available for the Group. The consummation of the plan will however depend on many factors including market conditions at the time. The proposed spin-off may or may not take place as currently planned.

The Langham
London, England

Hotels Division

	Year ended 31 December		
	2012 HK$ million	2011 HK$ million	**Change**
Hotel Revenue			
Hong Kong	**1,620.0**	1,481.7	**9.3%**
Europe	**528.7**	519.3	**1.8%**
North America	**1,132.5**	1,136.7	**-0.4%**
Australia/New Zealand	**756.3**	701.1	**7.9%**
Others	**57.2**	64.7	**-11.6%**
Total Hotel Revenue	**4,094.7**	3,903.5	**4.9%**
Hotel EBITDA			
Hong Kong	**642.7**	562.7	**14.2%**
Europe	**147.5**	158.2	**-6.8%**
North America	**109.0**	117.2	**-7.0%**
Australia/New Zealand	**122.4**	154.1	**-20.6%**
Others	**24.2**	30.9	**-21.7%**
Total Hotel EBITDA	**1,045.8**	1,023.1	**2.2%**

Our three hotels in Hong Kong continued to benefit from an increase in tourist arrivals from Mainland China, as well as other countries in the Asia-Pacific region. As the increase in revenue for the hotels in Hong Kong was driven largely by higher room rates, EBITDA of the Hong Kong hotels grew at a faster rate than the growth in its revenue in 2012.

However, subdued economic conditions overseas have resulted in stagnant revenue growth for our overseas hotels as a whole. Excluding the revenue from the newly acquired hotel in Sydney, the combined revenue of the overseas hotels was almost unchanged in 2012. Given lower profit margins for the overseas hotels, and to a lesser extent, rebranding costs incurred for the Sydney hotel, EBITDA of the overseas hotels declined in 2012.

Hotels Performance

	Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	2012	2011	2012	2011	2012	2011	2012	2011
The Langham, Hong Kong	495	495	86.1%	81.4%	2,239	2,128	1,927	1,732
Langham Place, Hong Kong	653	649	89.2%	87.2%	1,866	1,788	1,665	1,559
Eaton Smart, Hong Kong	445	461	94.9%	87.9%	1,198	1,079	1,138	949
The Langham, London	379	378	76.3%	77.6%	274	271	209	210
The Langham, Melbourne	374	370	81.9%	78.3%	261	266	214	208
The Langham, Sydney	95	n.a.	77.3%	n.a.	296	n.a.	229	n.a.
The Langham, Auckland	411	411	70.1%	68.9%	181	226	127	156
The Langham, Boston	318	318	67.1%	69.3%	242	234	163	162
The Langham Huntington, Pasadena	380	380	72.7%	65.5%	219	211	159	138
Delta Chelsea Toronto	1,590	1,590	70.4%	72.7%	125	127	88	92
The Langham, Xintiandi, Shanghai (33.3% owned)	350	211	58.1%	51.4%	1,551	1,574	901	808



The Langham, Hong Kong

The increase in room revenue for Langham Hong Kong in 2012 was driven by a balanced mix of average room rate and occupancy growth. The hotel has enjoyed continued growth in retail and leisure business from Mainland China and countries of the Asia Pacific region in 2012, which more than offset the slow-down in corporate travel from Europe and the US. As a result, occupancy increased by 4.7 percentage points in 2012 to 86.1% (2011: 81.4%) while average room rate increased 5.2% year-on-year to HK$2,239 (2011: HK$2,128).

Revenue from food and beverage rose 11% year-on-year in 2012, given growth in banquet business from wedding and corporate functions.

Langham Place, Hong Kong

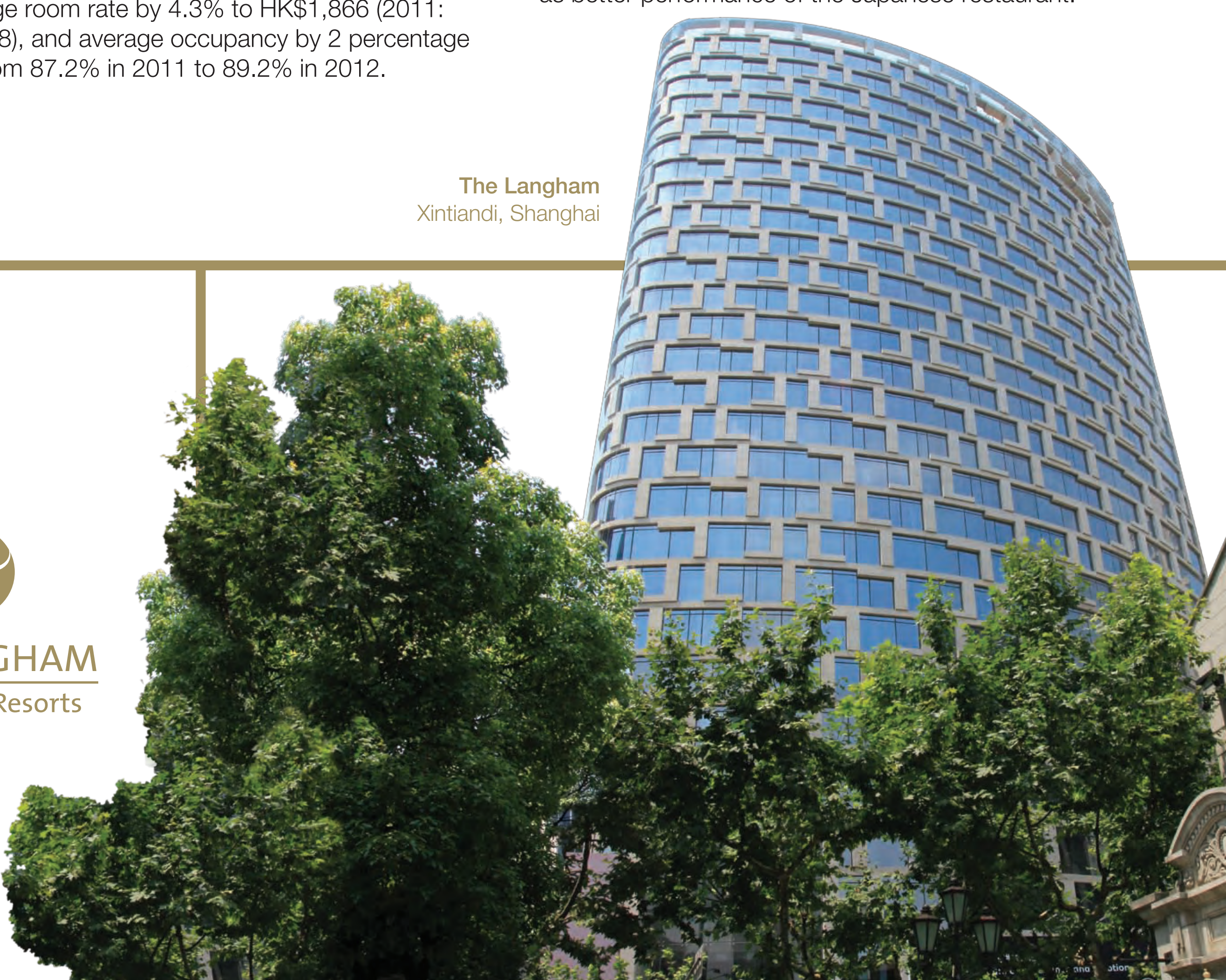
In 2012, the hotel witnessed an increase in corporate and leisure travellers from Mainland China and other countries in the Asia Pacific region, in particular, travellers from Australia, as well as growth in demand from the US. As a result, the hotel managed to raise its average room rate by 4.3% to HK$1,866 (2011: HK$1,788), and average occupancy by 2 percentage points from 87.2% in 2011 to 89.2% in 2012.

Revenue from food and beverage rose 6% over that of 2011 due to increased corporate meetings and events, although business from the restaurants was impacted by the renovation of the Chinese restaurant during the third quarter of 2012.

Eaton Smart, Hong Kong

The underlying trend for demand remained in place for the Eaton Hotel in 2012. There was not only increased demand from Mainland China and the Asia Pacific region but also from the US and Europe. As a result, average occupancy rose to 94.9% in 2012 (2011: 87.9%). Average room rate also rose 11% from HK$1,079 in 2011 to HK$1,198 in 2012. The performance was however impacted by renovation works on approximately one-fifth of its guest rooms (94 rooms) in the third quarter of 2012. Although RevPAR continued to increase in the third quarter on a reduced number of rooms available, the growth in revenue in the second half of 2012 was slower than that achieved in the first half of 2012.

Revenue from food and beverage rose 7% in 2012, which was led by improved catering business, as well as better performance of the Japanese restaurant.



The Langham
Xintiandi, Shanghai

THE LANGHAM
Hotels and Resorts

Overseas Hotels

Europe

The Langham, London

Against financial uncertainties in the Eurozone, the hotel managed to grow total revenue by 3% in 2012. Nonetheless, the increase in corporate business during the Olympics event was offset by reduced demand for rooms for the remainder of 2012, as well as with travellers staying away from the city due to fears over transport issues and accommodation pricing in the build-up to the Olympics. The revenue from rooms in 2012 only remained at similar levels as those in 2011. Average occupancy came to 76.3% in 2012 (2011: 77.6%), while average room rate was £274 in 2012 (2011: £271).

Revenue from food and beverage rose 11% in 2012, due to increased catering business particularly during the Olympics event.

Australia/New Zealand

The Langham, Melbourne

Given softer demand from corporate travellers in 2012, the hotel switched its focus to secure more weekend retail leisure travellers, although that resulted in a slight drop in average room rate from A$266 in 2011 to A$261 in 2012. The renovation comprising 102 rooms was completed in the third quarter of 2012, which has enabled the hotel to offer an up-to-date product to compete for market share. There was an increase in average occupancy from 78.3% in 2011 to 81.9% 2012.

Revenue from food and beverage rose 10% year-on-year in 2012, due to an increased number of guests with higher average spending from the catering and restaurant business.

The Langham, Sydney

We completed the acquisition of the 96-key Observatory Hotel in downtown Sydney and rebranded it as a Langham in August 2012. Over the reporting period of approximately five months, the hotel has gradually built market share and gained brand recognition. It had an average occupancy of 77.3%, while average room rate was A$296. However, due to the booking of a one-time rebranding cost, the hotel incurred a loss for the period, though EBITDA was positive.

The Langham, Auckland

Revenue in 2012 fell from the high base of 2011, when the Rugby World Cup was held in New Zealand. Overall demand from the corporate segment was also weak in 2012. The hotel compensated for that with increased business from the retail leisure segment, which led to a stable average occupancy rate of 70.1% in 2012 (2011:

68.9% and 2010: 66%). However the average room rate of NZ$181 in 2012 represented a decline of 20% from the high base of the previous year (2011: NZ$226 and 2010: NZ$174).

Revenue from food and beverage rose 5% year-on-year in 2012 and was driven by steady contribution from both catering and restaurant business.

North America

The Langham, Boston

Although hotel business gained some momentum in the second quarter of 2012 with increased activity in citywide conventions, business from the corporate segment started to slow down from the third quarter onwards. Revenue from rooms was stable in 2012, with the slowdown in corporate business offset by increased market share in the leisure segment. Average occupancy for 2012 was down by 2.2 percentage points to 67.1% in 2012 from 69.3% in 2011. There was however a growth in average room rate to US$242 in 2012, as compared to US$234 in 2011.

Revenue from food and beverage dropped 4% year-on-year in 2012, mainly due to a reduction in covers from catering and at the Bond restaurant. The completion of the Lobby renovation combined with the opening of The Reserve lounge in the fourth quarter has given the hotel a more luxurious appearance.

The Langham Huntington, Pasadena, Los Angeles

The turnaround at this hotel in Los Angeles continued in 2012, benefitting from a gradual improvement in the local market. The return of corporate group business helped underpin an increase in occupancy to 72.7% in 2012 (2011: 65.5%). Average room rate achieved increased 3.9% to US$219 from US$211 in 2011. Revenue from food and beverage also rose by 12% year-on-year with more corporate meetings and events. With a year-on-year RevPAR increase of 15.2%, EBITDA almost doubled in 2012.

Delta Chelsea Hotel, Toronto

Both room rates and occupancy were under pressure for the hotel in 2012, given the stagnant lodging market and a lack of citywide conventions in Toronto. In addition to a decline of 2.2 percentage points in occupancy rate, average room rate achieved was also lowered in 2012, as the hotel secured more lower-yield leisure business to compensate for the reduction in both group and corporate business. Average room rate for the hotel came to C$125 in 2012, as compared with C$127 in 2011. Occupancy was 70.4% in 2012 (2011: 72.7%). Revenue from food and beverage dropped 7% year-on-year in 2012, due to reduced demand for caterings.

The Chelsea Toronto is the only hotel that we own but not managed by ourselves. We will assume the management of this hotel and will rebrand it from the second half of 2013.

China

The Langham Xintiandi, Shanghai (33.3% owned and share of its results is captured under share of results of associates)

The hotel achieved healthy results with total revenue almost doubling in 2012 from that of 2011, as it became fully operational with the majority of its rooms available from January 2012. Occupancy for the hotel increased to 58.1% on an average inventory of 350 rooms in 2012 (2011: 51.4% on an average of 190 rooms), though intense competition in the local market resulted in a slight decline in average room rate to ¥1,551 in 2012 (2011: ¥1,574). Food and beverage showed a strong performance with good contribution from banquets and the restaurant. EBITDA of the hotel turned positive in 2012.

Project Under Development

Langham Hotel, Chicago

In December 2010, the Group acquired a 100% interest in a property at 330 Wabash Avenue (previously known as the IBM Building) in Downtown Chicago, USA for conversion into a 330-key luxury hotel. Full-scale construction commenced in the first quarter of 2012 with completion scheduled for the third quarter of 2013.

Asset Acquisitions

We made an announcement on October 7, 2012 on the possible acquisition of a hotel with 214 rooms in Manhattan, New York, for US$229 million. The closing did not take place as originally scheduled on 15 January 2013 as some of the closing conditions had not yet been satisfied by the vendor. We will issue a further announcement as soon as a date for a closing has been fixed. In the mean time the sale and purchase agreement remains in full force and effect.

Hotel Management business

In the third quarter of 2012, two new hotels in Mainland China, namely the Langham Shenzhen and the Eaton Luxe Xinqiao in Shanghai, join the ranks of third-party hotels managed by Langham Hotels International. These openings brought the number of hotels in our management portfolio to eight with approximately 1,700 rooms at the end of 2012. Except for a 33.3% stake in the Langham Xintiandi, the Group has no equity stakes in these hotels.

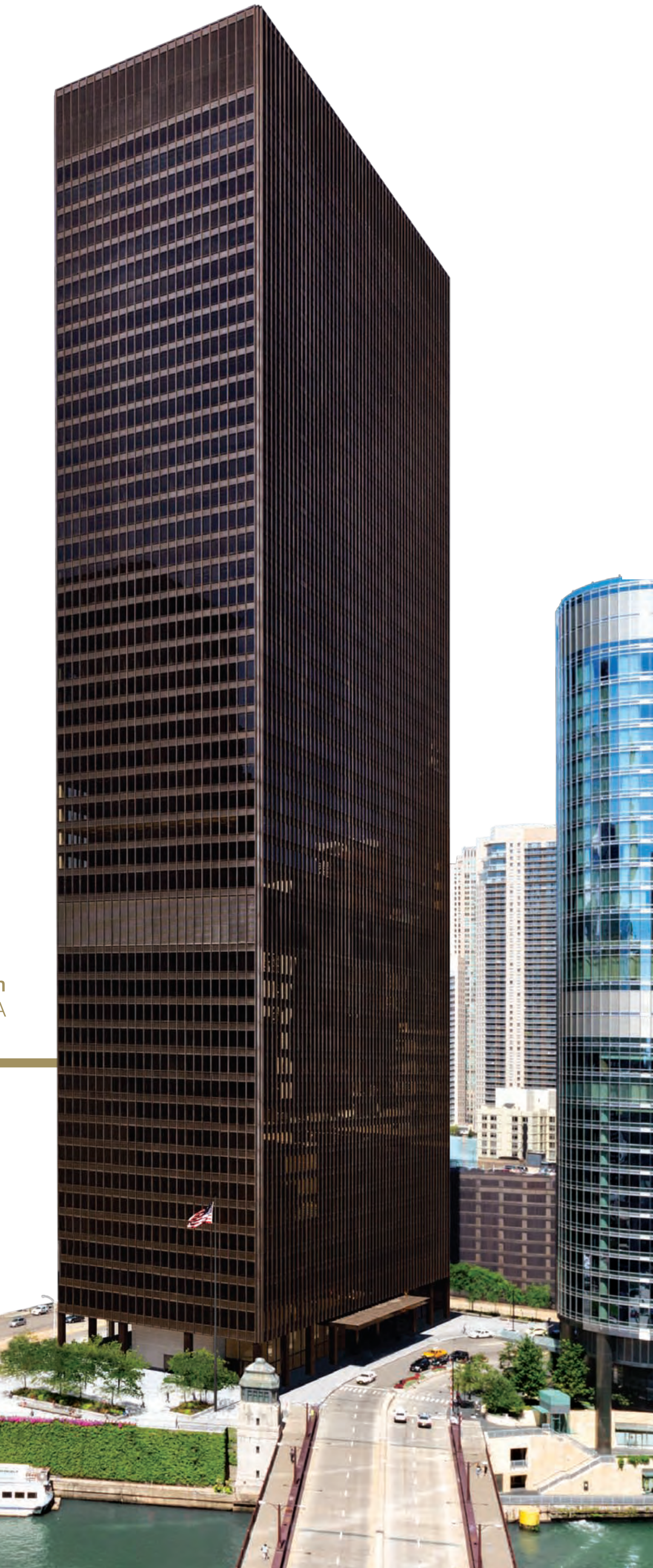
During 2012, another five long-term hotel management contracts were added to the pipeline of hotels under management. All of these hotels are located in China, including a 300-room Langham Hotel in Xiamen, three Langham Place Hotels in Datong, Qingdao and Haining with 300, 280 and 267 rooms respectively, and one Eaton Luxe Hotel in Qingdao with 500 rooms.

Development Projects

Dalian Mixed-use Development Project

The Group has a 50% equity interest in this mixed-use development project and acts as the project manager. The project, located in Dalian's Donggang area, comprises approximately 1,200 high-end apartments and a luxury international hotel with approximately 350 rooms with a total gross floor area of approximately 286,000 sq. metres. It is targeted for completion in two phases from 2014/15. The first phase will comprise a portion of the high-end luxury apartments, and the second phase will include the remaining luxury apartments and the hotel.

While restrictions on residential home purchases remain in place in Dalian, there are signs that the volume of residential sales is improving slowly. The prospects of the apartments, the majority of which will possess unobstructed seaview, should benefit from the improvement in residential market sentiments. Up to the end of December 2012, we have invested HK$633 million for our stake in the project.



The Langham
Chicago, USA

Income from Champion Real Estate Investment Trust

Under statutory accounting principles, our profit from Champion REIT was classified as an associate company for the fiscal year 2012, and the share of results from Champion REIT was reflected as operating items under the Share of results from associates. However, as we consider dividend income to be a more meaningful measure of financial return on our investment in Champion REIT, our core profit was based on attributable dividend income from Champion REIT.

Following the conversion of our entire holdings in Champion REIT's convertible bond in August 2012, our unit-holding in the REIT has increased to 57.86% as of 31 December 2012 from 51.85% as at the end of June 2012. That led to higher dividend income for 2012 of HK$687 million, an increase of 19.6% over that of 2011. With higher asset management income offsetting a slightly lower level of agency commission income in 2012, the overall management fee income from Champion REIT rose 3.2% to HK$272.8 million in 2012.

Citibank Plaza
Central, Hong Kong

Champion REIT
冠君產業信託

	Year ended 31 December		
	2012 HK$ million	2011 HK$ million	**Change**
Attributable Dividend income	**686.5**	574.1	**19.6%**
Management fee income	**272.8**	264.3	**3.2%**
Total income from Champion REIT	**959.3**	838.4	**14.4%**

The following are excerpts from Champion REIT's 2012 results announcement relating to the performance of the REIT's properties.

Citibank Plaza

During 2012 the Central Grade-A office market continued to be plagued by weak demand from banks. Passing rental rates (the average rental rate of existing tenancies) have stayed around HK$85 – 86 per sq. ft. on lettable area throughout 2012 as rent rates achieved on new and renewal leases were as a whole more or less equal to the rates of expiring leases. The average occupancy for 2012 was 89.0%, which was higher than that of 87.6% for 2011. Because of that, revenue from Citibank Plaza increased by 4.5% to HK$1,206 million. Operating expenses fell 1.5% to HK$205 million. The Net Property Income of Citibank Plaza increased 5.8% to HK$1,001 million.

Langham Place Office Tower

The resilience of the Hong Kong economy outside of the financial sector has sustained demand for office space across all office districts outside of the Central Financial District. As tenants in life-style trades took up more space, the occupancy rate of Langham Place Office Tower improved from 96.8% at the end of 2011 to 99.2% as of 31 December 2012. Passing rents rose steadily over the course of 2012 from HK$27.43 on gross floor area at the beginning of the year to HK$28.36 per sq. ft. at the end as higher rent rates were achieved on rollover of leases. Revenue at the Office Tower was HK$264 million, compared to HK$254 million for 2011. Operating expenses fell marginally to HK$48 million and Net Property Income grew at a slightly faster pace than revenue, from HK$205 million to HK$216 million.

Langham Place Mall

The Mall continued to enjoy growth in foot traffic and remained virtually fully let throughout the year. The average passing base rent rate increased from HK$100.77 per sq. ft. at the end of 2011 to HK$114.89 at year-end. This was driven by the growth in gross sales of tenants at the Mall, which improved by 12% year-on-year to HK$955 per sq. ft. on lettable area. Even as base rents have been improving steadily, turnover rents have also been growing, indicating that the sales growth at the Mall has been outpacing the rise in base rents. Turnover rent income increased by 48% from HK$64 million in 2011 to HK$95 million in 2012, and the latter is equivalent to HK$24.82 per sq. ft. per month in income over the base rents. Revenue continued to be on an upward trajectory, increasing by 10.8% from HK$532 million to HK$589 million. Net property income for 2012 rose 9.2% to HK$450 million.

Classification of our investment in Champion REIT

With the adoption of the new accounting standard under HKFRS 10, which governs disclosures of interests in other entities. In fiscal year 2013, the basis of consolidating interests in other entities will be largely based on "de facto control". As it is considered that the Great Eagle Group has certain control over the operations of Champion REIT, our auditors have advised that the Group should consolidate the results of Champion REIT as a subsidiary with effect from January 1, 2013. Compared with our current practice of valuating our investment in Champion REIT at costs plus share of results, the accounting change to consolidate our investment in Champion REIT based on its balance sheet is expected to increase the net asset value as well as the gearing of the Group. However, such reclassification will not have an impact on the core profit for equity holders that is currently base on attributable distributions from the REIT. For further details on the impact of the reclassification, please refer to note 2 of the Notes to the Consolidated Financial Statements on page 81.

Investment Properties

	Year ended 31 December		
Gross rental income	**2012 HK$ million**	2011 HK$ million	**Change**
Great Eagle Centre	**127.7**	110.5	**15.6%**
Eaton Serviced Apartments	**40.9**	40.1	**2.0%**
United States Office Properties	**108.3**	118.1	**-8.3%**
Others	**24.2**	26.6	**-9.0%**
	301.1	295.3	**2.0%**
Net rental income	**HK$ million**	HK$ million	**Change**
Great Eagle Centre	**123.8**	96.5	**28.3%**
Eaton Serviced Apartments	**28.5**	26.5	**7.5%**
United States Office Properties	**42.2**	46.4	**-9.1%**
Others	**1.9**	6.4	**-70.3%**
	196.4	175.8	**11.7%**

Great Eagle Centre

Sustained demand for office space in the Wanchai North district, which has few tenants from the banking sector, has kept the occupancy of Great Eagle Centre at a high level throughout 2012. In this landlords' market, we were able to maintain our asking rents at a high level throughout 2012. The rolling over of approximately 35% of the leases by floor area during 2012 led to a 20.4% increase in average passing rent as at December 2012. Note the faster growth in net rental income than gross rental income in 2012 was due to the absence of some non-recurring expenditures.

	As at the end of	
	Dec 2012	Dec 2011
Office (on lettable area)		
Occupancy	**97.6%**	96.8%
Average passing rent	**HK$58.9**	HK$48.9
Retail (on lettable area)		
Occupancy	**99.4%**	99.4%
Average passing rent	**HK$79.5**	HK$77.8

Eaton Serviced Apartments

Steady demand for short-term accommodations in the Wanchai and Happy Valley districts, coupled with increased marketing initiatives helped lift overall occupancy for our three serviced apartments. Nevertheless average passing rent was constrained by a competitive environment in 2012. Renovation on approximately 60% of the room inventory at Wanchai Gap Road from October 2012 has resulted in a lower rental income for the property. That was however offset by higher rental income at Village Road and Blue Pool Road.

	Year ended 31 December	
	2012	2011
(on gross floor area)		
Occupancy	**77.8%**	72.8%
Average passing rent	**HK$41.7**	HK$42.0

United States Office Properties

As activity in the technology sector remained fairly robust in the San Francisco area, the upward trend in asking rental rates that started since late 2011 continued into 2012. However, as the average passing rents of our San Francisco office properties were still at levels above the spot rents, coupled with a lack of lease renewals, there was negative rental reversion for the portfolio as whole. Gross rental income was also impacted by down time associated with the departure of a tenant at 353 Sacramento Street during the 4th quarter of 2012.

	As at the end of	
	Dec 2012	Dec 2011
(on net rentable area)		
Occupancy	**88.9%**	93.3%
Average passing rent	**US$33.4**	US$35.5

Financial Review

Debt

Gross debts denominated in HK dollars amounted to HK$1,578 million as of 31 December 2012. Our foreign currency gross debts as of 31 December 2012 amounted to the equivalent of HK$2,198 million, of which the equivalent of HK$494 million or 23% of our foreign currency debts was on fixed-rate basis. Net of cash and bank deposits that mature within 3 months totalling the equivalent of HK$3,565 million, our consolidated net debt outstanding as of 31 December 2012 was HK$211 million, a decrease of HK$731 million from that of HK$942 million as of 31 December 2011.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2012 and the depreciated costs of the Group's hotel properties, amounted to HK$36,939 million as of 31 December 2012. The net assets value at 31 December 2012 represented an increase of HK$3,350 million compared to the value of HK$33,589 million as of 31 December 2011, mainly attributable to the profit for the year including share of results of Champion REIT. Based on the consolidated net debt of HK$211 million, the resulting gearing ratio at 31 December 2012 was 1%.

Finance Cost

During the year, market interest rate had remained at an extremely low level. Coupled with the interest income from the Group's investment in Champion REIT convertible bonds, the Group had earned a net interest income of HK$32 million for the year. Consequently, there was no applicable interest cover ratio as at the balance sheet dates.

Liquidity and Debt Maturity Profile

As of 31 December 2012, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$4,715 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 31 December 2012:

Within 1 year	23.2%
1-2 years	1.0%
3-5 years	75.8%

Pledge of Assets

At 31 December 2012, properties of the Group with a total carrying value of approximately HK$10,698 million (31 December 2011: HK$10,030 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

Commitments and Contingent Liabilities

As at 31 December 2012, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK$471 million (31 December 2011: HK$651 million) of which approximately HK$398 million (31 December 2011: HK$71 million) was contracted for.

As at 31 December 2012, the Group had outstanding financial commitment of RMB26.5 million (equivalent to HK$32.5 million) (31 December 2011: HK$32.5 million) for capital injection to a jointly controlled entity and commitment of RMB106 million (equivalent to HK$130 million) (31 December 2011: HK$163 million) for construction cost to complete a hotel property owned by an associate.

The Group signed a sale and purchase agreement in October 2012 for the acquisition of a hotel property in New York at a consideration of approximately US$229 million. Completion of the acquisition is subject to certain conditions precedent which have not yet been fulfilled at the balance sheet date. A sum of US$15 million has been held in escrow pending completion.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31 December 2012.

Outlook

While earlier concerns such as a Euro-zone collapse, a hard landing in China, and the U.S. fiscal cliff appear to be easing off, much of the uncertainties still linger and may continue to drag economic growth in the coming year. It is therefore likely that global economic conditions will remain volatile. Fortunately, Hong Kong, the main market we operate in, should stay relatively robust.

For Champion REIT, we anticipate the operating environment will remain challenging at Citibank Plaza for the coming year as demand from banks would be weak. However, the strong rental reversions at the Langham Place properties should compensate for potential softness in the income of Citibank Plaza.

At the Hotels Division, the solid operating fundamentals supporting our hotels in Hong Kong should remain intact, as there appear to be no signs of slowdown in Mainland Chinese tourist arrivals. Furthermore, arrivals from other long haul markets to Hong Kong, which have been slow in the past years, could pick up going forward given a steady global economic recovery.

However, there may be lingering uncertainties in our overseas markets. Prospects appear to be stable for our three hotels in Australia and New Zealand, whereas economic volatilities in Europe could affect business at Langham London.

In North America, the Pasadena hotel should continue to benefit from robust corporate activities of the technology sector, but the market in Boston may remain soft. We are taking over the management of the Chelsea Toronto and rebranding it this year. During the change-over its performance may be affected.

The prudent and targeted expansion strategy that we have put in place over the past several years should drive long term performance for the Group. The opening of the Langham Chicago later this year will mark another key milestone in our long term plan to extend the global footprint and brand-recognition of Langham. The acquisition of the hotel in New York if consummated will be another major move towards that same objective.

In the mean time, with our strong balance sheet and ample liquidity, we will selectively explore value-added investments in global markets where asset values are cyclically suppressed.

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 27 February 2013

CORPORATE SOCIAL RESPONSIBILITY

We recognise that high levels of CSR will create long-term value for our customers, partners, investors, employees and community. At the same time, as this business approach improves the quality of life in our workplace as well as the local community and the world at large, we strive to embed CSR into our organisational culture.

In 2012, we made significant progress. We successfully implemented the strategy determined by the CSR Steering Committee in previous year. Our high standard of performance in CSR is reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index again this year. Notably, our achievement was recognised by RepuTex (HK) Limited, the ESG performance rating company in selecting our Group to be the constituent of the index, as the "Top 20 RepuTex ESG Ratings – Hong Kong" for the first time.

In August 2012, the Hong Kong Exchanges and Clearing Ltd. presented the results of the consultation on the proposed Environmental, Social and Governance Reporting Guide. The Exchange decided to implement the Guide which applies to issuers with financial year ending after 31 December 2012. Moving ahead, we have referenced to the Guide in structuring the report according to the four ESG subject areas: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement. Selected key performance indicators are supplemented to further illustrate our CSR performance. In addition to these four ESG subject areas, we have documented on how we make and implement decision in pursuit of our CSR objectives in section "CSR Steering Committee and Strategy".

Our Hotel Division, Langham Hospitality Group, also comprehensively report their CSR activities by issuing their first sustainability report, "Sustainability-the Art of Living", which reviews their current systems and performance, and sets out their environmental and social objectives for the coming years.

CSR Steering Committee and Strategy

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

The Group CSR Policy, which provides a robust framework and direction to implement CSR and embed CSR into our organisational culture, was built by the Committee. Through risk assessment, we determined Prevention of Pollution and Supply Chain Influence as the CSR issues with the top priority, which require managing actions. We developed a CSR strategy which enables us to focus our efforts on these issues. In managing pollution, for example, carbon audits were conducted for our owned and/or managed major properties. We also established the Green Champion Working Group which aims to share and implement green practices among our business units/departments. In influencing our suppliers, Supplier Code of Conduct was established and communicated to our suppliers so as to raise their CSR awareness.

In order to achieve high levels of CSR, we believe a CSR culture in our Group is a vital factor. For this reason, we strive to embed CSR into our organisational culture through internal and external promotion, education and engagement. Internally, we promote CSR through the Green Champion Working Group as well as our intranet and externally, through our thematic sponsorship projects (see Community Involvement). To educate our staff on CSR, we organise CSR talks and introduce the principles of CSR in orientation. We also engage our staff by inviting them to participate and volunteer in our thematic sponsored events.

Workplace Quality

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

Hang Seng Corporate Sustainability Index Series Member 2012-2013

Breakdown of Employees per Category According to Age Group and Gender

Business	By age group					By gender	
	Under 20 years old	20 & under 30 years old	30 & under 40 years old	40 & under 50 years old	50 & over years old	Male	Female
Hotel	1%	32%	26%	21%	20%	52%	48%
Property & Others[1]	1%	19%	30%	23%	27%	61%	39%

Note:

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

In addition to create a fair workspace, we view health and safety beyond a moral and legal responsibility. We are committed to ensuring that risks to employees' health and safety at work are properly controlled. To meet this end, our Property Management Division established a health and safety management system and obtained OHSAS 18001 Occupational Health and Safety Management System certification. The management system identifies health and safety hazards which are in turn controlled by our operating procedures. According to the monitoring procedure, we are required to regularly monitor our health and safety risks by using checklists, which outline the health and safety checking items on, for example, working in confined space, installing electrical systems, manual handling and using personal protective equipment. Ongoing trainings such as seminar and tool-box talk are also provided to the frontline staff.

Our Hotel Division also places emphasis on health and safety of staff and customers. Each hotel established its health and safety policy and safety committee in order to provide a framework for workplace health and safety. Awareness programmes and trainings sessions are conducted throughout the year, (e.g. manual handling, first aid, chemical handling, HACCP and well being day). Regular review on the safety performance and emergency preparedness procedures such as fire drill are also tested to ensure a healthy workplace environment for all staff.

TRAINING ON PERSONAL PROTECTIVE EQUIPMENT FOR TECHNICAL STAFF

Provision of opportunities for training and development has become an important component to attract and retain staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to staff of all levels. In 2012, “The 7 Habits of Highly Effective People” and “Business Innovation” were some of the training programmes provided to our staff. “The 7 Habits of Highly Effective People” conveys the importance of personal and interpersonal leadership that helps individuals to see, think and act differently in order to produce better performance and business results. A strong focus was put on “Leading Oneself and Leading Others”. To embed “innovation” into the Group’s corporate culture, Business Innovation Workshops were introduced to focus on the core concept of creativity and problem solving from different perspectives as well as to widen the mind and vision of staff towards world-class practices and tools of innovation which can be applied in business.

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

“THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE” TRAINING

Percentage of Employees Receiving Regular Performance and Career Development Reviews

Business	Employee receiving performance reviews
Hotel[2]	100%
Property & Others[3,4]	100%

Note:

2. Hong Kong employees who are eligible to receive performance review during the reporting year

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

4. Employees joined from 1 August to 31 December 2012 are not eligible to receive reviews in 2012 as per policy

We recognise that productive employees are those who maintain a healthy work-life balance. To this end, during the year, we organised various wellness and interest classes in, for example, tai chi, dancercise, painting and cooking. We also organised recreational events such as BBQ & Golf Day, One Day Tour to Safari & Ocean World Shenzhen and Christmas Party, which facilitate staff to know each other and promote team spirit.

Environmental Protection

To embed green into our organisational culture, the CSR Steering Committee decided to establish the Green Champion Working Group. The working group was formed by nominated Green Champions from business units/departments who share and learn green practices from each other and in turn spread the best green practices to all of our staff. A theme is given in each working group meeting to focus on a particular environmental issue such as electricity saving and use of paper.

Our Property Management Division continues to minimise significant environmental impacts of our operation and continually improve the performance by implementing ISO 14001 Environmental Management System Standard. To reduce our energy consumption and carbon emission, the Property Management Division introduced environmental-friendly facilities to our owned and/or managed buildings, including retrofitting of LED light fittings, installation of automatic tube cleaning system for chillers, installation of lighting control with motion sensor at parking space and among others. We also retrofitted low flow water faucet for wash basin and reuse draining water from potable water tanks during periodic cleaning work for irrigation.

ONE DAY TOUR TO SAFARI & OCEAN WORLD SHENZHEN

GREEN CHAMPION WORKING GROUP

In order to achieve our environmental responsibility, we understand it cannot be done solely by ourselves and must seek partnership with our tenants. As such, the Property Management Division introduced a few recycling initiatives to collect paper, used batteries, discarded fluorescent tubes and lamps, discarded metals and plastic from our tenants. In addition, we started collaborating with a food waste collector to re-process food waste from our food court tenants.

Environmental Protection is always a top subject in our Hotel Division. The Division partners with the EC3 Global EarthCheck Programme which offers a credible independent auditing and monitoring service. EarthCheck is an internationally recognised environmental benchmarking and sustainability certification programme, designed to address the challenges of climate change and improve environmental performance of organisations. The Langham, Auckland continues its Certified Gold status in EarthCheck programme, while other seven properties maintain their Certified Silver status. The Langham, Xintiandi, Shanghai joined the programme in 2012.

RETROFITTING OF LED LIGHT FITTINGS

Total Energy Consumption

Business	Energy consumption (GJ) Direct energy consumption	Indirect energy consumption
Hotel[4]	202,104	438,292
Property & Others[5]	374	241,469

Total Direct & Indirect Carbon Emissions by Weight

Business	Carbon Emission (tonnes CO_2-eq) Direct carbon emission	Indirect carbon emission
Hotel[4]	11,709	55,821
Property & Others[5]	2,833	55,115

Total Water Withdrawal

Business	Water used (m^3)
Hotel[4]	1,297,916
Property & Others[5]	348,237

Note:

4. Hotel includes owned hotels only

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

Our Property Development Division is committed to keeping the environmental footprint of our owned and/or managed properties to a minimum, both during the initial design and construction phases, as well as throughout the life of the building. At the design stage of the joint venture development project in Dalian, green building initiatives were integrated into our planning. The building maximises natural ventilation and lighting, recycles wastewater, implements renewable energy technologies and among others in order to mitigate the environmental impacts. Similarly, The Langham Chicago, scheduled to open in 2013, targeted to qualify for LEED certification. Environmentally responsible design alternatives such as material choices were considered in design stage.

In our corporate office, our Administration Division launched a slogan "ER3" to promote Environmental Protection, Recycle, Reduce and Reuse. One campaign was to collect waste for recycling in office area such as paper, plastic, glass and aluminium can. Our achievement in paper recycling led us to the Top 10 "Green Company" as selected by our business partner in paper recycling. Another campaign, "Save Energy for One Hour", encouraged staff to switch off unnecessary light, air-conditioning, computer monitor and electrical equipment during lunch time. To further support energy saving in the community, we participated in the "Power Smart Contest 2012" which was organised by Friends of the Earth and were awarded Certification of Appreciation. We also participated in Recycling Program for Waste Electrical and Electronic Equipment (WEEE) whose objective is to collect and send waste electrical and electronic equipment to proper recycling channels which are verified by the Environmental Protection Department.

GREEN COUNCIL'S GREEN MANAGEMENT AWARD PRESENTATION CEREMONY

In recognition of our efforts in environmental protection, Langham Place, which is managed by Property Management Division, received Green Council's Green Management Award (Corporation) – Service Provider-Gold. Great Eagle Centre and Citibank Plaza were also honoured Bronze Award and Honourable Mention, respectively. The awards demonstrate our environment consciousness and excellent operational environmental management.

Langham Place, Mongkok, Hong Kong was also honoured a Gold Award by the Environmental Campaign Committee for the Hong Kong Awards for Environmental Excellence (HKAEE), under the Hotels and Recreational Clubs Sectoral Awards 2011 category. This is the second time for the hotel to win this award. The Langham, Hong Kong was awarded "Friends of EcoPark 2011/12" and Eaton, Hong Kong won the "Best Eco Hotel" award, which is organised by the 2012 HotelClub Hotel Awards in Hong Kong, for recognising our support to local recycling business and outstanding sustainable practices carried out in the hotel.

To promote reducing energy consumption by air-conditioning in shopping malls, the Environment Bureau launched the "Energy Saving Charter" scheme inviting owners/managers of shopping malls to pledge to maintain the average indoor temperature at their premises between 24-26°C during the months of June to September 2012. To fulfill our environmental commitment, Langham Place Shopping Mall signed the pledge to support this meaningful initiative. To take a step further, we encouraged our tenants to participate in this initiative by sending a support request letter to them.

HONG KONG AWARDS FOR ENVIRONMENTAL EXCELLENCE PRESENTATION CEREMONY

ENERGY SAVING CHARTER LAUNCHING CEREMONY

Operating Practices

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

We recognise through leadership and monitoring along the supply chain, our Group can promote adoption and support of fair operating practices. To guide this CSR aspect in our supply chain more systematically and demonstrate how such aspect accords with our Group CSR Policy, the Supplier Code of Conduct was established. The Supplier Code of Conduct addresses CSR aspects on business integrity, human rights, health & safety, environmental protection and so forth. We started including the code along with a briefing note in tender documents and required the suppliers to acknowledge their reading and understanding of the Supplier Code of Conduct.

We are committed to offering superior quality products and services to our customers by satisfying their expectations and needs – whether they are tenants or shoppers at properties under our management or guests at our hotels. Our Property Management Division continues to implement ISO 9001 Quality Management System which requires monitoring the extent of customer satisfaction. To this end, we regularly send questionnaires to tenants of properties under our management in order to obtain their feedback. Customers can also provide suggestion or complaint to us through our comment book and iPad which are located at the customer information counter.

Our Hotel Division strives to be the definition of hospitality by knowing our guests better than the others and building the greatest hotel memories. A quality management system aimed at engaging all colleagues in the quality journey is developed – "Q.League System" (referencing to Total Quality Management). The Guest Focus Strategic Team in each hotel reviews and analyses the voice of customers (VOC) regularly. A robust VOC system is in place for us to know more about our guests and to meet their spoken and unspoken expectations. VOC channels include post-stay online guest survey, various mystery shopper programmes conducted by third-party professional quality audit companies and guest feedback cards which are placed at our guest rooms as well as restaurant outlets.

Community Involvement

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

We believe arts is important to Hong Kong as a world class city. Arts could enrich the daily lives of the people and promote social progress and cultural development.

We believe that Hong Kong's future relies heavily on the next generation. Children in preschool education and kindergarten, in particular, are in their prime period to learn and acquire knowledge. We strive to sponsor projects which start nurturing children in their early ages.

COMMENT BOOK AND iPAD AT CUSTOMER INFORMATION COUNTER

GREAT EAGLE FESTIVE SERIES-HARRY'S HALLOWEEN

Environmental protection is a subject which is essential to our organisational culture and it should be extended to the community at large. To meet this end, we are committed to involving the community in shaping a healthy and pleasant environment.

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

In Arts, to introduce the joy of a live orchestra and classical music masterpieces to young children, we sponsored Hong Kong Philharmonic Orchestra's family concert series – Great Eagle Festive Series, which was performed by the orchestra, and beloved magician and entertainer Harry Wong. The series included two programmes, namely Harry's Halloween and Harry's Christmas, in which Harry combined magic, fun and story-telling to introduce young children to orchestral music. The series received an overwhelming response from the audience. Leveraging this sponsorship, we organised a special open rehearsal for underprivileged students to explore live orchestra and behind the scene of the concert.

In Children Education, we believe "play" is an essential part of every child's life and is vital to their development. Not only could "Play" enhance physical and emotional growth of children, but also improve their social and behavioural skills. Engaging parents in "play" could also nurture a better relationship of a family. In view of the importance of "play", we sponsored Playright Children's Play Association to hold the very first "Great

GREAT EAGLE PRESENTS PLAYRIGHT CHEERS FOR PLAY AND VOLUNTEERING TEAM

Eagle Presents Playright Cheers for Play". The event provided a magnificent outdoor carnival at Chater Road pedestrian precinct, aiming to promote children's right to play and highlight that outdoor play is crucial for children's health, well-being and happiness. In addition to financial support, our volunteering team provided assistance to the event. They underwent a training session to prepare for the carnival and did a good job in setting up and being play ambassadors.

Our Trading Division also sponsored Playright Children's Play Association to organize "Play for All Symposium 2012" whose objective was to promote an equal, harmonic and inclusive community. International and local scholars were invited to illustrate examples and guidelines from overseas in designing a barrier-free inclusive public open space for children to play regardless of accessibility and ability.

In environmental protection, we sponsored World Wide Fund for Nature Hong Kong's "Treasure Our Planet Make a Better Choice" project in an attempt to raise general public's awareness of ecological footprint concept and importance of adopting a sustainable lifestyle. The project comprised a video and a leaflet, which were broadcasted and distributed at WWF's electronic platforms and education centres. The video was also broadcasted on Roadshow, communicating to passengers on 1,600 buses for two weeks. With the in-kind support from our selected owned and/or managed properties and hotels, the leaflets were additionally distributed at customer information counters and reception counters, respectively.

Other than designing a few deserving projects with non-profit organisations, we strive to promote best practices in environmental excellence and exchange knowledge amongst the top CSR leaders. We continue support and participate in Business Environment Council as Council Member, Climate Change Business Forum as Gold Member, Hong Kong Green Building Council as Patron Gold Member and World Wildlife Fund for Nature Hong Kong as Gold Member.

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

Looking Forward

With the concerted efforts from the staff, we made significant progress to integrate CSR into our business. Looking forward, other than ensuring that the existing CSR initiatives are implemented continuously and CSR is embedded into our organisational culture, we have planned to conduct a comprehensive stakeholder engagement in order to obtain their feedback on our CSR policy and strategy. We believe the feedback will guide us to the right direction along the journey of CSR.

PLAY FOR ALL SYMPOSIUM 2012

"TREASURE OUR PLANET MAKE A BETTER CHOICE" VIDEO AND LEAFLET

Directors

Dr. LO Ka Shui

Chairman and Managing Director

Dr. LO Ka Shui, aged 66, has been a member of the Board since 1980 and is the Chairman and Managing Director of the Company and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, the Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Mr. LO Kai Shui

Executive Director and Deputy Managing Director

Mr. LO Kai Shui, aged 53, has been a member of the Board since 1984 and is the Deputy Managing Director of the Company. Mr. Lo is also a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and the founder of Sun Fook Kong Group Limited. He has more than 30 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

Madam LO TO Lee Kwan

Non-executive Director

Madam LO TO Lee Kwan, aged 93, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late chairman of the Company, and co-founder of the Group. She actively involved in the early stage development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

Mr. CHENG Hoi Chuen, Vincent

Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 64, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and members of the Remuneration Committee and Nomination Committee of the Company. He is an Independent Non-executive Director of China Minsheng Banking Corp., Ltd., MTR Corporation Limited, Hui Xian Asset Management Limited (Manager of the public listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, Shanghai Industrial Holdings Limited and Wing Tai Properties Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is a Vice Patron of Community Chest of Hong Kong, a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC"), a senior adviser to the 11th Beijing Municipal Committee of the CPPCC and a member of the Advisory Committee on Post-service Employment in Civil Servants. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard

Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 60, is an Independent Non-executive Director of the Company. He has been a Director since 1995 and is the Chairman of the Nomination Committee and Members of the Audit Committee and Remuneration Committee of the Company. He is Professor of Economics at the University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region.

Mrs. LEE Pui Ling, Angelina

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 64, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and Members of the Audit Committee and Nomination Committee of the Company. She is a practising solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She has a Bachelor of Laws degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. ZHU Qi

Independent Non-executive Director

Mr. ZHU Qi, aged 52, was appointed as an Independent Non-executive Director of the Company in August 2009 and is a member of the Audit Committee of the Company. Mr. Zhu is an Executive Director and Chief Executive of Wing Lung Bank Limited. He has over 25 years of banking experience. From 2000 to July 2008, he had been the Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited, the Chairman of Chinese Mercantile Bank and a Director of ICBC (Asia) Bullion Company Limited, ICBC (Asia) Nominee Limited and ICBC (Asia) Asset Management Company Limited. Mr. Zhu also had been a Director of China Ping An Insurance (Hong Kong) Company Limited, the Deputy Chairman of ICEA Finance Holdings Limited, the Chairman of Industrial and Commercial International Capital Limited and a Director of The Tai Ping Insurance Company, Limited. He graduated with a Bachelor's Degree from Dongbei University of Finance and Economics and a Master's Degree in Economics from the Zhongnan University of Finance and Economics in 1986.

Mr. LO Hong Sui, Antony

Executive Director

Mr. LO Hong Sui, Antony, aged 71, is an Executive Director of the Company. He has been a Director of the Group since 1967. He has been actively involved in property development, construction and investment for more than 44 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui and a younger brother of Madam Law Wai Duen.

Madam LAW Wai Duen

Executive Director

Madam LAW Wai Duen, aged 76, is an Executive Director of the Company. She has been a Director of the Group since 1963. She graduated from the University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 48 years. She is a daughter of Madam Lo To Lee Kwan and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

Mr. LO Hong Sui, Vincent

Non-executive Director

Mr. LO Hong Sui, Vincent, aged 65, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is a diversified group engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited and Shui On Land Limited – Shui On's flagship property company in the Chinese Mainland established in 2004. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Dr. LO Ying Sui

Non-executive Director

Dr. LO Ying Sui, aged 60, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

Mr. KAN Tak Kwong

Executive Director and General Manager

Mr. KAN Tak Kwong, aged 61, is an Executive Director and the General Manager of the Company. Mr. Kan joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has more than 37 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

Senior Management

Mr. TONG Chun Wan

Mr. TONG Chun Wan, aged 65, Assistant Director of the Company and also the Managing Director of The Great Eagle Development and Project Management Limited, joined the Group in 1983. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong, and has obtained PRC Class 1 Registered Architect Qualification. Mr. Tong is also a member of the Royal Institute of British Architects. Mr. Tong has over 34 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

Mr. MOK Siu Bun, Terry

Mr. Mok Siu Bun, Terry, aged 59, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 31 years' experience in accounting and finance in the real estate industry.

Mr. LEUNG Tat Kai, Henry

Mr. LEUNG Tat Kai, Henry, aged 59, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung holds a Bachelor's Degree in Laws. He is a member of the Royal Institution of Chartered Surveyors and an associate member of The Institute of Chartered Secretaries and Administrators. He has over 30 years' experience in the real estate industry and property management.

Mr. Brett BUTCHER

Mr. Brett BUTCHER, aged 53, is the Chief Executive Officer of the Group's Hotel Division. Mr. Butcher joined the Group in 2002 and has held previous positions of Senior Vice President – Sales, Marketing and Brands for Langham Hotels International and Senior Vice President – Operations for Langham Place Hotels. He holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 33 years and has covered assignments in Asia, the Pacific and North America.

Mr. HO Hon Ching, Barry

Mr. HO Hon Ching, Barry, aged 50, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, and a Master's Degree in Business Administration from the University of Hong Kong. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. He has extensive experience in accounting, statutory auditing and internal auditing.

Mr. CHU Shik Pui

Mr. CHU Shik Pui, aged 51, Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters, joined the Group in 1989. He is a fellow of The Chartered Association of Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of the Society of Registered Financial Planners. Mr. Chu has 28 years' aggregated experience in taxation, finance, accounting and investment.

Mr. LU Ning, Michael

Mr. LU Ning, Michael, aged 40, joined the Group in May 2008. He is the Managing Director of the Group's Trading Division. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Ms. WONG Mei Ling, Marina

Ms. WONG Mei Ling, Marina, aged 46, joined the Group in 2008. She is the Group Company Secretary and the Head of Company Secretarial and Administration Department. Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master's Degree in Laws, a Master's Degree in Business Administration and a Bachelor of Arts Degree in Accountancy respectively. Ms. Wong had over 20 years working experience in company secretarial practice. Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

Mr. AU Ngai Ho

Mr. AU Ngai Ho, aged 55, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has over 32 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

Mr. HUNG Ka Wai

Mr. HUNG Ka Wai, aged 48, the Head of Legal, joined the Group in December 2011. Mr. Hung holds a Bachelor of Laws degree, a Postgraduate Certificate in Laws and a Master of Laws degree. Besides, he is also a graduate of the Law School of the University of New South Wales with a master degree in the Australian law. He was admitted as a solicitor in Hong Kong in 1996 with more than 16 years of experience in corporate finance and compliance work in listed companies. He is also a member of The Institute of Chartered Accountants in England and Wales, The New Zealand Institute of Chartered Accountants and The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

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

Compliance with Corporate Governance Code

The Code on Corporate Governance Practices (the "Former CG Code") as set out in Appendix 14 to the Listing Rules was amended and revised as the CG Code which came to effect on 1 April 2012. Throughout the year under review, the Company has complied with all code provisions and mandatory disclosures contained in the Former CG Code and CG Code as when they were/are in force except the following deviations in respect of which remedial steps for compliance have been taken or considered reasons are given below.

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

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

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

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

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

Under the existing Bye-laws of the Company, the executive chairman and managing director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the Report of the Directors contained herein. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, Dr. Lo has voluntarily disclosed his biographical details in accordance with Rule 13.51(2) in the general mandate annually for Shareholders' information. A biography of Dr. Lo and details of his emoluments are also provided on page 33 of this Annual Report and in note 13 to the consolidated financial statements respectively.

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

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

Board of Directors

Board Responsibilities

The Board of Directors assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. It plays a central support and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corproate Governance Practice established during the year. The Statement is reviewed from time to time in light of the latest statutory requirements and governance practice. It serves as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Company.

The Board is also responsible for overseeing the management and operation of the Group and is ultimately accountable for the Group's activities, strategies and financial performance. The Schedule of Matters Reserved for the Board sets out a list of major issues preserved for the decision of full Board, except when an appropriate board committee has been set up for the matter. The matters reserved are summarised as below.

Summary of Key Matters Reserved for the Board

Strategy

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

Structure and Capital

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

Financial and Corporate Governance

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

Board Membership and Other Appointments

- Appointment or removal of the Company Secretary

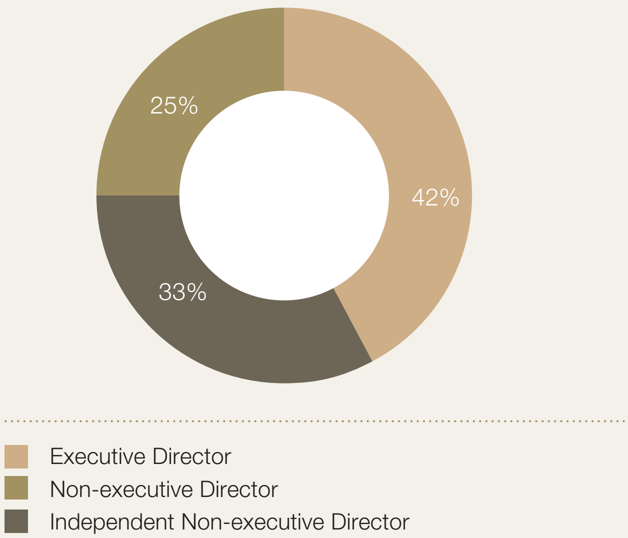
Board Composition

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

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

Non-executive Directors
Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi



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

Members of the Board of Directors

- The Board currently has twelve members, five Executive Directors and seven Non-executive Directors, four of whom are Independent Non-executive Directors.
- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors representing one-third of the Board) that can ensure there is adequate independent judgment for the running of the Company's business.
- The members of the Board comprise experts from various professions with extensive experience and have appropriate professional qualifications or accounting or related financial management expertise.

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

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 33 to 37 of this Annual Report and published on the Company's website at www.GreatEagle.com.hk.

Directors Orientation and Continuing Development

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

Newly appointed Directors will receive a comprehensive induction package designed to provide a general understanding of the Group, its business, the operations of the Board and the main issues it faces. The induction package reviews the Board's policies and procedures, the Company's Bye-laws and current organisation structure, the most recent annual and interim reports and key business issues. In addition, a new Director has one-on-one meeting with the Company Secretary with the purpose of assisting the new Director in understanding the role of the Board and its committee and the commitment expected of a Director.

To keep abreast of the responsibilities of the Directors and infuse them with new knowledge, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director will be provided to each Director from the Company Secretary periodically. In 2012, the Program was designed to focus on the topics of roles and duties of a listed company's directors, overview of good corproate governance standard in worldwide and update of the statutory and regulatory requirements. During the year, all Directors participated in Director Development Program and had provided a record of training they received to the Company.

Supply and Access to Information

Beginning from 1 April 2012, Directors are provided with monthly reports covering highlights of the Company's major businesses to keep abreast the Directors of the Group's business performance and enable them to bring informed decisions in the best interests of the Company and Shareholders. More thorough and comprehensive management and financial updates were provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Company. The Directors are also kept updated of any material developments from time to time through notifications and circulars. Discussion sessions between the Board of Directors and the key members of management are held regularly twice a year. Directors also have access to Senior Management of the Company.

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

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

Independence of Independent Non-executive Directors

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

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

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals, to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters as set out in the Schedule of Matters Reserved for the Board.

Proceedings of the Board

- In accordance with the Bye-laws of the Company, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.

- At least 14 days' formal notice of a regular Board meeting will be given to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board Meeting. For special Board meeting, reasonable notice will be given.

- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Committee meeting. All Directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.

- A Director may participate in a meeting of the Board by means of a conference telephone. Unless other determined two Directors shall be a quorum.

- Draft and final version of minutes are circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting. All Board and Board Committee minutes or resolutions shall be kept by the Company Secretary or the Committee Secretary and are available for Directors' inspection.

Directors' Attendance at Board Meetings

Four full physical Board meetings were held during the financial year ended 31 December 2012. The attendance of individual Directors at the Board meetings during the year ended 31 December 2012 is set out below:

Name of Directors	Number of Board Meeting Attended/Held for the year ended 31 December 2012
Executive Directors	
LO Ka Shui (1)	4/4
LO Kai Shui (2)	4/4
LO Hong Sui, Antony	4/4
LAW Wai Duen	4/4
KAN Tak Kwong (3)	4/4
Attendance Rate	100%
Non-executive Directors	
LO TO Lee Kwan (4)	0/4
LO Hong Sui, Vincent	2/4
LO Ying Sui	2/4
Attendance Rate	33.33%
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	4/4
WONG Yue Chim, Richard	3/4
LEE Pui Ling, Angelina	4/4
ZHU Qi	4/4
Attendance Rate	93.75%
Overall Attendance Rate	**81.25%**

Notes:

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

Directors' and Officers' Insurance

During the year ended 31 December 2012, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and relevant employees of the Company on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the SFO) as at 31 December 2012, are set out on pages 58 to 59 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2012.

Delegation by the Board

Management Functions

Under the leadership and supervision by the Board, day-to-day management and operation of the Group are delegated to divisional management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back. Apart from the above, the divisional management is also accountable for the execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant statutory requirements, rules and regulations.

Board Committees

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

Audit Committee

The Audit Committee of the Company was established in 1999. The role of the Audit Committee is to review the reports and proposals from management and to make recommendations to the Board of Directors of the Company in respect of the financial reporting and other statutory obligations, and system for internal control and audit process with a view to assist the Board to fulfill its duties in relation to internal control, risk management and financial management. The Audit Committee is advisory and not supervisory in nature and its principal duties are as follows:

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

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

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

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

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

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

The Audit Committee currently comprises four Independent Non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent (who is the chairman of the Audit Committee), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina and Mr. Zhu Qi. None of the four members of Audit Committee has been a former partner of the Company's external auditor.

Audit Committee Meetings held in 2012

During the financial year ended 31 December 2012, two meetings of the Audit Committee were held and all members were present in the meetings. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the internal control system;
- reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored subsequent implementations;
- reviewed the Group's accounting, finance and reporting functions, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2011 and the unaudited financial statements for the six months ended 30 June 2012;
- reviewed and approved the draft 2011 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2012 Interim Report and interim results announcement of the Company;
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration;
- reviewed and approved the revised Terms of Reference of the Audit Committee; and
- reviewed and approved the change of accounting policy in relation to the depreciation of hotel buildings and properties commencing from the financial year 2012.

Remuneration Committee

The Company established a Remuneration Committee in 2004. The Remuneration Committee adopts model of determining the remuneration packages for all directors and senior management. It also responsible for setting up formal and transparent procedures to determine policy on Executive Directors' remuneration and to ensure remuneration levels should be sufficient to attract and retain Directors to run the company successfully without paying more than necessary. The principal duties of the Remuneration Committee are as follows:

(a) to have the delegated responsibility to determine the remuneration packages of the Company's employees including Executive Directors and senior management; and

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

Terms of reference of the Remuneration Committee had been updated in February 2012 in alignment with the Code Provision B.1.2 as set out in the CG Code with additional functions and duties covering the Company's employees and share option scheme. The written terms of reference are posted on the websites of the Company and the Stock Exchange and are available upon request.

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairman of the Remuneration Committee), Mr. Cheng Hoi Chuen, Vincent and Professor Wong Yue Chim, Richard.

Remuneration Committee Meeting held in 2012

During the financial year ended 31 December 2012, a Remuneration Committee meeting with full attendance of the Committee members was held to consider and approve, among others, the following:

- the proposal on 2012 general salary revision of and discretionary bonus distribution to the employees of the Group;
- the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group;
- the annual grant of share options of the Group; and
- the revised Terms of Reference of the Remuneration Committee.

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

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

Nomination Committee

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

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession. The principal duties of the Nomination Committee are as follows:

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

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

(c) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors; and

(d) to assess the independence of Independent Non-executive Directors.

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

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

Nomination Committee Meeting held in 2012

During the financial year ended 31 December 2012, a meeting of the Nomination Committee of the Company was held to consider and approve the nomination of the retiring Directors to seek for re-election at the 2012 Annual General Meeting and the updated Terms of Reference of the Nomination Committee. All Committee members were present in the meeting.

At the Nomination Committee Meeting held in January 2013, the Committee has reviewed the structure, size and composition of the Board and assessed the independence of the four Independent Non-executive Directors of the Company. The Commmittee is of the view that the current Board demonstrates a balanced composition with sufficient independence element.

The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent and Mrs. Lee Pui Ling, Angelina.

Finance Committee

The Company established a Finance Committee in 2003 which comprises three Executive Directors, namely Dr. Lo Ka Shui, Mr. Lo Kai Shui and Mr. Kan Tak Kwong. Matters considered by the Finance Committee and the decisions reached are reported to the Board at regular Board meetings.

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

(a) to review the financial position of the Company; and

(b) to review and consider the present or future borrowings and/or other financial obligations and/or liabilities, actual, contingent of the Group.

Directors' Remuneration

A Director is entitled to receive a Director's fee of HK$130,000 for the year ended 31 December 2012. The Director's fee was proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by Shareholders at the 2012 Annual General Meeting, and payable to each Director as ordinary remuneration.

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

	Annual Remuneration	
	2012 **HK$**	2011 HK$
Audit Committee		
• Chairman	**210,000**	210,000
• Committee Member	**160,000**	160,000
Remuneration Committee		
• Chairman	**60,000**	60,000
• Committee Member	**50,000**	50,000
Nomination Committee		
• Chairman	**40,000**	40,000
• Committee Member	**30,000**	30,000
Finance Committee	**Nil**	Nil

Connected Transactions and/or Continuing Connected Transactions

During the year ended 31 December 2012, the Group entered into certain connected transactions and/or continuing connected transactions. Disclosure requirements in accordance with the Listing Rules were fully complied with.

Details of the connected transactions and/or continuing connected transactions entered during the year and the annual review are set out on pages 61 to 63 in the Report of the Directors contained in this Annual Report.

Related Party Transactions

During the year ended 31 December 2012, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Certain of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 40 to the consolidated financial statements.

Auditor's Remuneration

During the year ended 31 December 2012, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	31 December 2012 HK$'000	31 December 2011 HK$'000
Services rendered		
Audit services	**5,423**	5,024
Non-audit services		
Taxation services	**429**	608
Interim review fee	**480**	480
Miscellaneous secretarial services and other review fees including continuing connected transactions review etc	**96**	70
	6,428	6,182

Note: The total amount of Auditor's Remuneration as disclosed in note 12 to the consolidated financial statements is HK$6,935,000 which comprises audit services provided by other auditors in the total amount of HK$1,512,000.

Internal Controls

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

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

(b) Reliable management reporting system;

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

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

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2012.

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

Based on the Audit Committee's assessment on results of the internal audit reviews for the year ended 31 December 2012, no significant irregularity or deficiency in internal controls has come to the Audit Committee's attention. The Audit Committee therefore concludes that the internal control systems of the Group are adequate and effective.

The Board, based on the review of the Audit Committee, is satisfied that the Group has maintained sound and effective internal control systems for the year ended 31 December 2012.

Governance Policies

Guidelines, policies, and procedures including a Code of Conduct, a Code of Conduct regarding Securities Transactions by Directors and Relevant Employees and a Policy on the Preservation and Prevention of Misuse of Inside Information have been established to maintain governance framework of the Group. The Company adheres to strict measures in mitigating the leakage of price sensitive information. The Policy on the Preservation and Prevention of Misuse of Inside Information sets out the Company's overriding principles, monitoring and reporting procedures to preserve the confidentiality of unpublished inside information. The Chairman, General Manager, Company Secretary and the Investment Services Director are identified as the authorized spokespersons of the Company and procedures for responding to external communications are formalized. Complete version of the policy and other goverance policies are posted on the Company's website at www.GreatEagle.com.hk for Shareholders' information.

Directors' Responsibilities for the Financial Statements

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2012.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on page 69 of this Annual Report.

Communication with Shareholders

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

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

One of the principal channels of communication with the Shareholders of the Company is the Annual General Meeting. The Company ensures the Shareholders' views are communicated to the Board. Proceedings of General Meetings are reviewed from time to time to ensure that the Company follows the best appropriate corporate governance practices.

Proceedings of General Meetings

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

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Shareholders, the Company proposed to provide registered Shareholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of the Company for the information or action of Shareholders as defined in Rule 1.01 of the Listing Rules) by electronic means through the Company's website or in printed form in 2012. After the adoption of electronic communications with registered Shareholders, the number of printed corporate communications of the Company was significantly reduced by more than half.

To ensure mutual and efficient communications, the Company meets institutional investors and financial analysts and media regularly at analyst briefings, investor meetings, one-on-one group meetings, local and overseas conference and roadshows. Investors and Shareholders may visit the Company's website for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Board through the Company's website or by email at enquiry@greateagle.com.hk. A financial calendar setting out the important dates is contained in this Annual Report on page 3.

2012 Annual General Meeting

The 2012 Annual General Meeting was held on 3 May 2012 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Kan Tak Kwong, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui, Mr. Cheng Hoi Chuen, Vincent and Professor Wong Yue Chim, Richard had attended the Meeting. The matters resolved thereat are listed below.

- Received the audited accounts for the year ended 31 December 2011 together with the Reports of the Directors and the Independent Auditor.
- Approved the payment of the final dividend of HK40 cents per share for the year ended 31 December 2011.
- Re-elected Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Professor Wong Yue Chim and Madam Law Wai Duen as Directors.
- Fixed the maximum number of Directors at 15.
- Approved the ordinary remuneration of HK$130,000 per annum payable to each Director for the year ended 31 December 2012.
- Approved the re-appointment of Messrs. Deloitte Touche Tohmatsu as the Auditor of the Company and authorisation to the Board of Directors to fix their remuneration.
- Approved the grant of a general mandate to the Directors to repurchase shares not exceeding 10% of the issued share capital.
- Approved the grant of a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital.
- Approved the extension of the general mandate granted to the Directors to allot, issue and deal with shares by the number of shares repurchased.

Shareholders' Rights

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

Amendment to Constitutional Document

During the financial year 2012, there is no significant change in the Company's constitutional documents.

Employees

During the year, the number of employees of the Group increased approximately 2.8% to 4,997. The change was mainly attributable to the increase in staff in our hotel operations. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged during the year, with particular emphasis on performance management. To help staff maintain a healthy work-life balance as well as facilitate staff to know each other and promote team spirit, various recreational events, wellness and interest classes have been organized. In 2012, our Hotel Division continued to create a diversified, multi-facet development platform for our colleagues. Apart from the around-the year training calendar, a targeted programme for department heads and executives named APEX "Advanced Programme for Executives" is launched to equip them with essential knowledge, skills and experiences to take up next level or more challenging roles in the future. APEX includes various development opportunities, such as, targeted work assignments, eCornell training on leadership & hospitality topics and mentoring arrangement. In April, our Hotel Division successfully renewed the Manpower Developer Scheme by the Employee Retraining Board and is continued to be acknowledged as "Manpower Developer 1st."

In 2012, the Group has introduced the Value Statement and then launched the corporate driven program "The 7 Habits of Highly Effective People" which aims at personal and interpersonal leadership that helps individuals to see, think and act differently to produce better performance and business results. A strong focus has been put on "Leading Oneself and Leading Others". In order to embed "Innovation" as per the Value Statement into the Group's corporate culture, a Business Innovation Workshop has been introduced to focus on the core concept of creativity and problem solving from different perspectives as well as to widen the mind and vision towards the world-class practices and tools on innovation applied in business. "Innovation" is one of the key strategies of the Hotel Division. An electronic platform called "THINK PINK" is introduced in 2012 for all colleagues to share their ideas. A quarterly internal newsletter " Think Pink Gazette" summarizes and shares the good ideas from colleagues around the globe. The Group has also facilitated external and in-house designed training programmes in supervisory, management, soft skills as well as technical skills training. Besides, the Group has implemented an internal awareness program on "Innovation" to engage all colleagues.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2012.

Principal Activities

The principal activity of the Company is investment holding.

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

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia and New Zealand. An analysis of the Group's segment results for the year ended 31 December 2012 is set out in note 8 to the consolidated financial statements of this Annual Report.

Particulars of the Company's principal subsidiaries and interests in associates as at 31 December 2012 are set out in notes 42 and 19 to the consolidated financial statements of this Annual Report.

Results and Dividends

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK43 cents per share to Shareholders whose names appear on the Registers of Members of the Company on Wednesday, 15 May 2013. Subject to the approval of Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend will be made on 21 June 2013. Taken together with the interim dividend of HK23 cents per share paid in October 2012, the total dividend for the year 2012 is HK66 cents per share.

Movements in Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements.

Five Years' Financial Summary

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

Fixed Assets

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

Investment Properties

Movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements. All of the Group's investment properties were revalued by independent professional property valuers as at 31 December 2012 using the income capitalisation method and the market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

Details of the major properties of the Group as at 31 December 2012 are set out in Appendix I to this Annual Report.

Issue of New Shares

During the year, 2,334,338 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2011 final dividend and 578,000 shares were issued pursuant to the 1999 Share Option Scheme and 2009 Share Option Scheme. As at 31 December 2012, the authorised capital of the Company was HK$400,000,000.00 divided into 800,000,000 shares of HK$0.50 each, 631,399,610 shares of which were issued and credited as fully paid. Details of the movements of the share options and the repurchase of shares during the year are disclosed in the following relevant paragraphs. Changes in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

Purchase, Sale or Redemption of Company's Securities

During the year ended 31 December 2012, the Company repurchased a total of 277,000 ordinary shares of the Company at an aggregate purchase price of HK$4,381,240 on the Stock Exchange. A total of 580,000 shares (including 303,000 shares repurchased in the year 2011 and left uncancelled as at 31 December 2011) were cancelled during the year ended 31 December 2012. The number of issued shares as of 31 December 2012 was 631,399,610. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid
		Highest	Lowest	
January 2012	277,000	HK$16.68	HK$15.54	HK$4,381,240
Total	**277,000**			**HK$4,381,240**

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

Directors

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mrs. Lee Pui Ling, Angelina, Mr. Zhu Qi, Mr. Lo Hong Sui, Antony and Dr. Lo Ying Sui shall retire by rotation and, being eligible, have offered themselves for re-election at the 2013 Annual General Meeting of the Company.

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

Directors' and Senior Management's Biographies

The biographical details of the Directors and the Senior Management of the Company are set out on pages 33 to 37 of this Annual Report.

Directors' Service Contracts

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

Directors' Emoluments

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

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

As at 31 December 2012, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

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

	Number of Ordinary Shares/Underlying Shares						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Number of outstanding share options	Total	Percentage of issued share capital[8]
Lo Ka Shui	49,503,129	–	3,619,407[1]	284,846,479[2]	1,870,000	339,839,015	53.82
Lo Kai Shui	202,973	–	639,146[3]	208,891,692[4]	425,000	210,158,811	33.28
Lo To Lee Kwan	999,332	–	4,592,671[5]	208,891,692[4]	–	214,483,695	33.96
Cheng Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	0.00
Wong Yue Chim, Richard	10,000	–	–	–	–	10,000	0.00
Lo Hong Sui, Antony	54,715	–	–	208,891,692[4]	500,000	209,446,407	33.17
Law Wai Duen	1,175,048[6]	–	–	208,891,692[4]	300,000[6]	210,366,740	33.31
Lo Hong Sui, Vincent	293	–	–	208,891,692[4]	–	208,891,985	33.08
Lo Ying Sui	3,855,046	3,764	33,269,396[7]	208,891,692[4]	–	246,019,898	38.96
Kan Tak Kwong	1,268,753	–	–	–	800,000	2,068,753	0.32

Notes:

(1) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(2) These 284,846,479 shares comprise:

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

(ii) 75,954,787 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.

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

(4) These shares are the same parcel of shares referred to in Note (2)(i) above.

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

(6) Madam Law Wai Duen submitted application for exercise of 100,000 share options on 31 December 2012. On 7 January 2013, 100,000 shares were issued and allotted to her.

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

(8) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2012 of 631,399,610 shares and rounded down to 2 decimal places.

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

(a) Champion REIT is a subsidiary of the Company, in which the Group has approximately 57.86% interests in the issued units as at 31 December 2012. Dr. Lo Ka Shui beneficiary owned 1,660,000 units of Champion REIT and he is the settlor and member of the advisory committee and management committee of a discretionary trust, which held 6,200,000 units of Champion REIT as at 31 December 2012.

(b) Cinderella Media Group Limited is an associated company of the Company, in which the Group has approximately 19.07% interests in the issued share capital as at 31 December 2012. Dr. Lo Ka Shui beneficially owned 150,000 shares in Cinderella Media, representing 0.046% of its issued share capital.

(c) Magic Garden Investments Limited ("MGIL") is an associated company of the Company, in which the Group has a 33.33% interests in the issued share capital as at 31 December 2012. China Xintiandi Investment Company Limited, an indirect wholly owned subsidiary of Shui On Land Limited, was interested in the remaining 66.67% interests in MGIL. Mr. Lo Hong Sui, Vincent was deemed to be interested in 59.52% of issued share capital of Shui On Land Limited. Before 16 March 2012, the remaining 66.67% interests in MGIL was held by Shui On Investment Company Limited, a company beneficially owned by Mr. Lo Hong Sui, Vincent.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interest in Competing Businesses

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

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

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

- Chairman of SOCAM Development Limited, which is engaged in property, cement and construction in the Chinese Mainland, Hong Kong and Macau. The company was listed on the Stock Exchange in 1997.

(b) Mr. Lo Kai Shui is the Chairman of Sun Fook Kong Group Limited ("SFK Group") and also the ultimate controlling shareholder of SFK Group and its subsidiaries, whose the group's principal activities are, among others, building construction, real estate and property development in Mainland China.

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

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

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

Dr. Lo Ka Shui, the Chairman and Managing Director of the Company, resigned as an Independent Non-executive Director of Winsor Properties Holdings Limited on 1 September 2012.

Mr. Cheng Hoi Chuen, Vincent, an Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of Shanghai Industrial Holdings Limited and Wing Tai Properties Limited with effect from 13 November 2012 and 1 February 2013 respectively.

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

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

1. Connected transaction in relation to the provision of construction services

On 6 April 2012, Toptech Co. Limited, an indirect non wholly-owned subsidiary of the Company was informed by the China State Construction Engineering Corporation ("Main Contractor") that it has won the tender to provide the design, supply and installation of raised floor ("Construction Services") for the development of an area with a gross floor area of approximately 25,000 square metres within Phase I development of super high-rise commercial buildings on Plot B11-1/02 of Hua Long Qiao, Yuzhong District of Chongqing, PRC (which has a total gross floor area of approximately 130,000 square metres) (the "Property"). The Property is owned by Chongqing Shui On Tiandi Property Development Company Limited (the "Property Owner"), a company incorporated in PRC and an indirect non wholly-owned subsidiary of Shui On Land which is held as to 79.4% interest by Shui On Land. Details of the transaction were set out in an announcement dated 6 April 2012 issued by the Company.

Mr. Lo Hong Sui, Vincent is a non-executive Director of the Company. Together with the interests of his spouse and the trustee of a discretionary trust of which he is a discretionary object, Mr. Vincent Lo had approximately 56.1% interests in the issued share capital of Shui On Land as at the date of announcement of this connected transaction. Accordingly, the Property Owner, being an indirect non wholly-owned subsidiary of Shui On Land, was thus a connected person of the Company and the transaction contemplated under the successful tender to provide Construction Services for the development of the Property (the "Award") constituted a connected transaction of the Company.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated for the Company in respect of the Award was more than 0.1% but less than 5%, the Award is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

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

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

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated with reference to the renewed annual caps for the SFK Tenancy Agreements was more than 0.1% but less than 5%, the transactions contemplated under the SFK Tenancy Agreements were only subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

Annual caps of the amount receivable by the Group from SFK Management are as follows:

Period	Annual Cap
For the year ended 31 March 2012	HK$5,234,000
For the year ending 31 March 2013	HK$5,440,000*
For the year ending 31 March 2014	HK$8,776,000
For the year ending 31 March 2015	HK$8,945,000
For the year ending 31 March 2016	HK$9,139,000

Details of the Old Tenancy Agreement and New Tenancy Agreement were set out in the announcements dated 30 March 2010 and 20 December 2012 respectively issued by the Company.

* The original annual cap for the year ending 31 March 2013 of HK$5,277,000 was revised to HK$5,440,000. Details of the revision were set out in the announcement dated 20 December 2012.

3 Continuing connected transactions in relation to the Hotel Management Agreement and Licence Agreement of a Hotel erected on Lot 108 in the Luwan District, Shanghai ("Hotel 108")

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

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

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

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

4. Continuing connected transactions in relation to the Master Agreement with Shui On Development Holding Limited ("SODH") of a joint venture with Shui On Land

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

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

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

Details of the connected transaction and continuing connected transactions are set out in this report and note 40 to the consolidated financial statements. The amount of transactions in 2012 under each of the aforesaid agreements under paragraphs 2, 3 and 4 above are as follows:

	2012 **HK$'000**
Under Old Tenancy Agreement in paragraph 2 above	**5,280**
Under Hotel Management and Licence Agreement in paragraph 3 above	**12,798**
Under Master Agreement in paragraph 4 above	**2,049**

In accordance with Rule 14A.37 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2012 and confirmed they have been entered into:

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

(2) on normal commercial terms; and

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

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

Save for the above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Option Schemes

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

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

Further details of the 1999 Share Option Scheme and 2009 Share Option Scheme are set out in note 34 to the consolidated financial statements.

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

During the year ended 31 December 2012, the details of the movements in the share options granted to the Company's employees (including Directors) under the 1999 Share Option Scheme and 2009 Share Option Scheme are as follows:

	Number of Share Options						
Date of grant	Outstanding as at 01/01/2012	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2012	Exercise Period	Exercise price per share (HK$)
04/01/2007[1]	1,529,000	–	–	(1,529,000)	–	05/01/2009 – 04/01/2012	22.35
08/01/2009[1]	1,073,000	–	(572,000)	–	501,000	09/01/2011 – 08/01/2014	9.34
04/03/2010[2]	2,529,000		(6,000)	(77,000)	2,446,000	05/03/2012 – 04/03/2015	22.80
07/03/2011[2]	2,896,000	–	–	(168,000)	2,728,000	08/03/2013 – 07/03/2016	26.18
08/03/2012[2]	–	3,210,000[3]	–	(135,000)	3,075,000	09/03/2014 – 08/03/2017	23.20
Total	**8,027,000**	**3,210,000**	**(578,000)**	**(1,909,000)**	**8,750,000**		

Notes:

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

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

(3) During the year ended 31 December 2012, 1,228,000 and 1,982,000 share options were granted to the Directors and employees of the Group respectively.

(4) During the year ended 31 December 2012, no share options were cancelled.

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

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

(7) The closing price of the shares of the Company immediately before the date of grant of 8 March 2012, i.e. 7 March 2012 was HK$21.90.

2. Movements of the Share Options granted to Directors

During the year ended 31 December 2012, the details of the movements in the Share Options granted to Directors of the Company (some are also substantial shareholders) under the 1999 Share Option Scheme and 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

		Number of Share Options						Weighted average closing price immediately
	Date of grant	Outstanding as at 01/01/2012	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2012	Exercise price per share (HK$)	before the date of exercise (HK$)
Directors								
Lo Ka Shui	04/03/2010[2]	620,000	–	–	–	620,000	22.80	N/A
	07/03/2011[2]	622,000	–	–	–	622,000	26.18	N/A
	08/03/2012[2]	–	628,000	–	–	628,000	23.20	N/A
		1,242,000	628,000	–	–	1,870,000		
Lo Kai Shui	04/01/2007[1]	200,000	–	–	(200,000)	–	22.35	N/A
	08/01/2009[1]	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010[2]	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011[2]	100,000	–	–	–	100,000	26.18	N/A
	08/03/2012[2]	–	100,000	–	–	100,000	23.20	N/A
		525,000	100,000	–	(200,000)	425,000		
Lo Hong Sui, Antony	04/01/2007[1]	200,000	–	–	(200,000)	–	22.35	N/A
	08/01/2009[1]	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010[2]	150,000	–	–	–	150,000	22.80	N/A
	07/03/2011[2]	125,000	–	–	–	125,000	26.18	N/A
	08/03/2012[2]	–	100,000	–	–	100,000	23.20	N/A
		600,000	100,000	–	(200,000)	500,000		
Law Wai Duen	04/01/2007[1]	100,000	–	–	(100,000)	–	22.35	N/A
	08/01/2009[1]	112,000	–	(112,000)	–	–	9.34	22.14
	04/03/2010[2]	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011[2]	100,000	–	–	–	100,000	26.18	N/A
	08/03/2012[2]	–	100,000	–	–	100,000	23.20	N/A
		412,000	100,000	(112,000)	(100,000)	300,000		
Kan Tak Kwong	04/01/2007[1]	300,000	–	–	(300,000)	–	22.35	N/A
	08/01/2009[1]	250,000	–	(250,000)	–	–	9.34	22.14
	04/03/2010[2]	200,000	–	–	–	200,000	22.80	N/A
	07/03/2011[2]	300,000	–	–	–	300,000	26.18	N/A
	08/03/2012[2]	–	300,000	–	–	300,000	23.20	N/A
		1,050,000	300,000	(250,000)	(300,000)	800,000		
Employees	04/01/2007[1]	729,000	–	–	(729,000)	–	22.35	N/A
(other than	08/01/2009[1]	461,000	–	(210,000)	–	251,000	9.34	22.35
Directors of	04/03/2010[2]	1,359,000	–	(6,000)	(77,000)	1,276,000	22.80	23.80
the Company)	07/03/2011[2]	1,649,000	–	–	(168,000)	1,481,000	26.18	N/A
	08/03/2012[2]	–	1,982,000	–	(135,000)	1,847,000	23.20	N/A
		4,198,000	1,982,000	(216,000)	(1,109,000)	4,855,000		

Notes:

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

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

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

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

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

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

Share options granted on 08/03/2012 are exercisable during the period from 09/03/2014 to 08/03/2017.

(3) During the year ended 31 December 2012, no share options were cancelled.

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

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

(6) The closing price of the shares of the Company immediately before the date of grant of 8 March 2012, i.e. 7 March 2012, was HK$21.90.

Substantial Shareholders' Interests in Shares

As at 31 December 2012, the interests and short positions of persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

Long positions in shares of the Company

Name of Shareholders	Number of shares	Percentage of issued share capital[5]
HSBC International Trustee Limited	288,003,621[1]	45.61
Powermax Agents Limited[2]	154,947,717	24.54
Surewit Finance Limited[3]	44,744,350	7.08
Adscan Holdings Limited[4]	33,269,396	5.26

Notes:

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

(i) 208,891,692 shares representing 33.08% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are among the beneficiaries.

(ii) 75,954,787 shares representing 12.02% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.

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

(3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 44,744,350 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is the sole director of this company.

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

(5) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2012 of 631,399,610 shares and rounded down to 2 decimal places.

Save as disclosed above, as at 31 December 2012, no person (other than Directors of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 58 and 59) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to Acquire Shares or Debentures

Save and except the 1999 Share Option Scheme and 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Option Schemes" on pages 64 to 66 of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Pre-emptive Rights

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

Major Customers and Suppliers

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

Donations

During the year, donations made by the Group for charitable purposes amounted to HK$491,857.

Auditor

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on 3 May 2013.

Sufficiency of Public Float

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

Corporate Governance

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

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 38 to 54 of this Annual Report.

Corporate Social Responsibility

Corporate Social Responsibility has been integral to the Group's business ever since the Group's founding in 1963. Our commitment to Corporate Social Responsibility stems from a core belief that our business will prosper as the community and environment around us flourish. A full report on Corporate Social Responsibility is set out on pages 22 to 32 of this Annual Report.

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

Hong Kong, 27 February 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 151, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 February 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**4,993,327**	4,746,336
Cost of goods and services		**(3,377,807)**	(3,182,040)
Operating profit before depreciation		**1,615,520**	1,564,296
Depreciation		**(372,610)**	(362,081)
Operating profit		**1,242,910**	1,202,215
Other income	9	**156,704**	197,756
Fair value changes on investment properties	17	**435,021**	678,688
Net gain (loss) on derivative financial instruments		**43,732**	(614,856)
Administrative expenses		**(236,669)**	(222,569)
Impairment loss recognised in respect of a hotel property	16	**–**	(90,867)
Other expenses		**(825)**	(20,694)
Finance costs	10	**(107,638)**	(100,027)
Share of results of associates		**2,252,081**	3,375,756
Share of results of a jointly controlled entity		**(9,899)**	(9,032)
Profit before tax		**3,775,417**	4,396,370
Income taxes	11	**(222,751)**	(169,167)
Profit for the year	12	**3,552,666**	4,227,203
Profit for the year attributable to:			
Owners of the Company		**3,551,830**	4,227,203
Non-controlling interests		**836**	–
		3,552,666	4,227,203
Earnings per share:			
Basic	15	**HK$5.63**	HK$6.70
Diluted	15	**HK$5.58**	HK$6.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	3,552,666	4,227,203
Other comprehensive income (expense):		
Fair value gain (losses) on available-for-sale investments	13,975	(19,280)
Exchange differences arising on translation of foreign operations	111,127	(19,782)
Share of other comprehensive income (expense) of associates	31	(66,197)
Share of other comprehensive income of a jointly controlled entity	5,119	24,721
	130,252	(80,538)
Total comprehensive income for the year	3,682,918	4,146,665
Total comprehensive income for the year attributable to:		
Owners of the Company	3,682,082	4,146,665
Non-controlling interests	836	–
	3,682,918	4,146,665

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	11,216,070	10,140,331
Investment properties	17	5,333,210	4,879,376
Interests in associates	19	20,679,926	16,460,751
Interest in a jointly controlled entity	20	648,710	653,490
Available-for-sale investments	21	133,711	92,775
Investment in convertible bonds	22	–	2,834,389
Notes receivable	23	–	77,697
Restricted cash	24	122,487	12,295
		38,134,114	35,151,104
Current assets			
Inventories	25	93,754	95,240
Debtors, deposits and prepayments	26	490,956	423,417
Notes receivable	23	–	96,251
Bank balances and cash	24	3,565,257	2,439,288
		4,149,967	3,054,196
Current liabilities			
Creditors, deposits and accruals	28	1,021,938	817,682
Derivative financial instruments	29	–	903
Provision for taxation		96,331	70,833
Borrowings due within one year	30	876,980	2,585,306
		1,995,249	3,474,724
Net current assets (liabilities)		2,154,718	(420,528)
Total assets less current liabilities		40,288,832	34,730,576
Non-current liabilities			
Derivative financial instruments	29	–	131
Borrowings due after one year	30	2,899,482	808,862
Deferred taxation	31	447,711	332,461
		3,347,193	1,141,454
NET ASSETS		36,941,639	33,589,122

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Equity			
Share capital	32	315,700	314,533
Treasury shares	32	–	(4,583)
Share premium and reserves		36,623,080	33,279,172
Equity attributable to owners of the Company		36,938,780	33,589,122
Non-controlling interests		2,859	–
TOTAL EQUITY		36,941,639	33,589,122

The consolidated financial statements on pages 71 to 151 were approved and authorised for issue by the Board of Directors on 27 February 2013 and are signed on its behalf by:

Lo Ka Shui
DIRECTOR

Lo Kai Shui
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment in a subsidiary	18	1,572,734	1,572,734
Amount due from a subsidiary	27	19,000,000	–
		20,572,734	1,572,734
Current assets			
Prepayments		292	283
Amount due from a subsidiary	27	2,873,930	22,045,847
Bank balances and cash		7,688	4,813
		2,881,910	22,050,943
Current liability			
Accruals		8,674	6,028
Net current assets		2,873,236	22,044,915
NET ASSETS		23,445,970	23,617,649
Share capital and reserves			
Share capital	32	315,700	314,533
Treasury shares	32	–	(4,583)
Reserves	33	23,130,270	23,307,699
TOTAL EQUITY		23,445,970	23,617,649

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company													
	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	311,404	–	3,762,428	43,068	23,109	1,650	402,540	90,165	39,577	66,251	24,904,938	29,645,130	–	29,645,130
Profit for the year	–	–	–	–	–	–	–	–	–	–	4,227,203	4,227,203	–	4,227,203
Fair value losses on available-for-sale investments	–	–	–	(19,280)	–	–	–	–	–	–	–	(19,280)	–	(19,280)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(19,782)	–	–	–	(19,782)	–	(19,782)
Share of other comprehensive income (expenses) of associates	–	–	–	–	–	–	–	54	–	(66,251)	–	(66,197)	–	(66,197)
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	24,721	–	–	–	24,721	–	24,721
Total comprehensive (expense) income for the year	–	–	–	(19,280)	–	–	–	4,993	–	(66,251)	4,227,203	4,146,665	–	4,146,665
Dividend paid	–	–	–	–	–	–	–	–	–	–	(370,315)	(370,315)	–	(370,315)
Shares issued at premium	4,533	–	209,187	–	–	–	–	–	(14,282)	–	–	199,438	–	199,438
Share issue expenses	–	–	(59)	–	–	–	–	–	–	–	–	(59)	–	(59)
Shares repurchased and cancelled	(1,404)	–	(43,240)	–	–	1,404	(1,575)	–	–	–	–	(44,815)	–	(44,815)
Treasury shares	–	(4,583)	–	–	–	–	–	–	–	–	–	(4,583)	–	(4,583)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	17,661	–	–	17,661	–	17,661
At 31 December 2011	314,533	(4,583)	3,928,316	23,788	23,109	3,054	400,965	95,158	42,956	–	28,761,826	33,589,122	–	33,589,122
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,551,830	3,551,830	836	3,552,666
Fair value gain on available-for-sale investments	–	–	–	13,975	–	–	–	–	–	–	–	13,975	–	13,975
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	111,127	–	–	–	111,127	–	111,127
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	31	–	–	–	31	–	31
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	5,119	–	–	–	5,119	–	5,119
Total comprehensive income for the year	–	–	–	13,975	–	–	–	116,277	–	–	3,551,830	3,682,082	836	3,682,918
Dividend paid	–	–	–	–	–	–	–	–	–	–	(396,814)	(396,814)	–	(396,814)
Shares issued at premium	1,457	–	52,662	–	–	–	–	–	(1,860)	–	–	52,259	–	52,259
Share issue expenses	–	–	(80)	–	–	–	–	–	–	–	–	(80)	(2)	(82)
Shares repurchased and cancelled	(290)	4,583	(8,692)	–	–	–	–	–	–	–	–	(4,399)	–	(4,399)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	16,610	–	–	16,610	–	16,610
Lapse of share options	–	–	–	–	–	–	–	–	(11,911)	–	11,911	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	2,025	2,025
At 31 December 2012	315,700	–	3,972,206	37,763	23,109	3,054	400,965	211,435	45,795	–	31,928,753	36,938,780	2,859	36,941,639

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit before tax		3,775,417	4,396,370
Adjustments for:			
Share of results of associates		(2,252,081)	(3,375,756)
Share of results of a jointly controlled entity		9,899	9,032
Fitting-out works of hotel buildings written off		673	–
Loss (gain) on disposal of property, plant and equipment		152	(16)
Management service income from an associate paid and payable by units		(119,938)	(112,485)
Interest income		(140,041)	(191,311)
Interest expense		94,734	91,983
Dividends received from listed available-for-sale investments		(3,267)	(3,043)
Allowance for doubtful debts, net		–	2,343
Depreciation		372,610	362,081
Recognition of share based payments		16,610	17,661
Fair value changes on investment properties		(435,021)	(678,688)
Net (gain) loss on derivative financial instruments		(43,732)	614,856
Impairment loss recognised in respect of a hotel property	16	–	90,867
Operating cash flows before movements in working capital		1,276,015	1,223,894
Decrease (increase) in inventories		1,486	(17,842)
Increase in debtors, deposits and prepayments		(63,562)	(25,428)
Increase in creditors, deposits and accruals		190,019	63,716
Cash generated from operations		1,403,958	1,244,340
Hong Kong Profits Tax paid		(66,078)	(101,677)
Other jurisdictions tax paid		(23,462)	(27,072)
Hong Kong Profits Tax refunded		116	121
Net cash from operating activities		1,314,534	1,115,712

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Investing activities			
Additions of property, plant and equipment		(1,302,879)	(210,607)
Dividends received from associates		670,151	554,465
Incentive payment received on conversion of convertible bonds	19	518,310	–
Proceeds on redemption of notes receivable		195,926	56,658
Placement of restricted cash		(116,265)	(12,295)
Advances to an associate		(49,551)	(219,661)
Interest received		42,316	51,813
Additions of available-for-sale investments		(26,961)	(8,395)
Proceeds on redemption of structured deposits		24,656	225,390
Additions of structured deposits		(23,468)	(147,466)
Additions of notes receivable		(22,157)	–
Additions of investment properties		(20,859)	(11,714)
Investment in an associate		(16,339)	–
Withdrawal of restricted cash		6,073	–
Dividends received from listed available-for-sale investments		3,267	3,043
Repayment to an associate		1,137	–
Proceeds on disposal of property, plant and equipment		814	116
Investment in a jointly controlled entity		–	(112,500)
Net cash (used in) from investing activities		(115,829)	168,847
Financing activities			
New bank loans raised		1,734,205	1,854,541
Repayments of bank loans		(1,375,525)	(1,940,061)
Dividends paid to shareholders		(350,034)	(212,331)
Interest paid		(96,243)	(95,477)
Issue of shares		5,399	41,397
Repurchase of shares		(4,399)	(49,398)
Contribution from non-controlling interests		2,025	–
Net cash used in financing activities		(84,572)	(401,329)
Net increase in cash and cash equivalents		1,114,133	883,230
Effect of foreign exchange rates changes		11,836	2,614
Cash and cash equivalents at the beginning of the year		2,439,288	1,553,444
Cash and cash equivalents at the end of the year		3,565,257	2,439,288
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		3,565,257	2,439,288

1. General

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

The principal activity of the Company is investment holding.

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfer of Financial Assets

In the 2011 consolidated financial statements, the Group has early adopted the amendments to HKAS 12 "Deferred Taxes: Recovery of Underlying Assets" in respect of the recognition of deferred tax on investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" and are presumed to be recovered through sale.

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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

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

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

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

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

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

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

The Directors anticipate that the application of these five standards in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 will have a significant impact on amounts reported in the consolidated financial statements. In addition, the Directors will further perform a detailed analysis on the impact of the application of these standards. For example, the application of HKFRS 10 may affect the accounting for the Group's 57.86% ownership interest in Champion Real Estate Investment Trust ("Champion REIT") which is currently classified as the Group's associate. Taking into account the new definition of control and the additional guidance on control set out in HKFRS 10, the application of HKFRS 10 would result in Champion REIT being treated as the Group's subsidiary. If Champion REIT is consolidated as the Group's subsidiary, the assets and liabilities as well as income and expenses of Champion REIT will be presented as separate line items in the consolidated statement of financial position and in the consolidated income statement, respectively, rather than being presented as one line item in the Group's consolidated financial statements. Should Champion REIT be treated as the Group's subsidiary with its financial position and results consolidated into the Group's consolidated financial statements since the date the Group obtained control, the net assets attributable to owners of the Company as at 31 December 2012 would have increased by 16% to approximately HK$42,771 million. Below is the financial impact on major financial items:

	HK$ million
Increase in total assets	39,595
Increase in total liabilities	(15,115)
Increase in minority unitholders of Champion REIT	(18,648)
Increase in net assets attributable to owners of the Company	5,832
Increase in turnover	1,753
Increase in profit for the year attributable to:	
Owners of the Company	–
Non-controlling interests	1,839
Increase in profit for the year	1,839

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 13 "Fair Value Measurement"

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

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

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

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

3. Significant accounting policies

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

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

3. Significant accounting policies (continued)

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

Investment in a subsidiary

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

Investments in associates

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

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

3. Significant accounting policies (continued)

Investments in associates (continued)

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

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

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

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

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

Jointly controlled entities

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

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

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

3. Significant accounting policies (continued)

Revenue recognition

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

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

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

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

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

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

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

Service income is recognised when services are provided.

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

Agency commission income is recognised when services are rendered.

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

Leasehold land and building

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

3. Significant accounting policies (continued)

Property, plant and equipment

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

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

Leasehold land	Over the medium-term lease period
Owner occupied properties and hotel buildings	Over the shorter of the term of the lease or 50 years
Furniture and fixtures	
Hotel renovation	10%
Other furniture and fixtures	20%
Plant and machinery	
Hotel machinery	4%
Other plant and machinery	20%
Motor vehicles	20%

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

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

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

Impairment losses on tangible assets

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

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

3. Significant accounting policies (continued)

Investment properties

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

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

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

Leasing

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

The Group as lessor

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

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

The Group as lessee

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

Foreign currencies

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

3. Significant accounting policies (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

3. Significant accounting policies (continued)

Taxation (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments.

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

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Impairment losses on available-for-sale listed equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

3. Significant accounting policies (continued)

Financial instruments (continued)

Investment in convertible bonds

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

Where the convertible bonds are converted into units of Champion REIT, the difference between the carrying amount of the investment in convertible bonds and the sum of the consideration received and receivable (represented by the fair values of the units received and any cash or other consideration) is recognised in profit or loss. The fair value of the units of Champion REIT received is recognised as additional cost of investment in interest in the associate.

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derivative financial instruments

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Embedded derivatives

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

Derecognition

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

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

Equity-settled share-based payment transactions

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

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

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

4. Critical accounting judgement and key sources of estimation uncertainty

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

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

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

4. Critical accounting judgement and key sources of estimation uncertainty (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's and its associate's investment property portfolios and concluded that the Group's and its associate's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's and its associate's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxation on changes in fair value of investment properties in Hong Kong as the Group and its associate is not subject to any income taxes on disposal of such investment properties.

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

Investment properties

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

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

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

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

5. Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 30, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. Financial risk management objectives and policies

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

(a) Market risk

(i) Interest rate risk

Interest rate risk management

The Group's fair value interest rate risk relates to fixed-rate short term bank deposits and other borrowings. As at 31 December 2011, the Group's fair value interest rate risk, in addition, related to unsecured bonds and medium term notes for the first six months to twelve months starting from the issue date included in notes receivable, straight debt receivable in investment in convertible bonds.

The Group's exposure to cash flow interest rate risk is resulted primarily from fluctuations in interest rates of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from variable rate borrowings and medium term notes included in notes receivable, which were matured or disposed during the year.

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

The interest rate and terms of straight debt receivable in investment in convertible bonds, notes receivable, bank balances and borrowings for the Group are set out in notes 22, 23, 24 and 30, respectively.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. At 31 December 2011, the effect on notes receivable was not included in the sensitivity analysis as the impact was insignificant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2012 would decrease/increase by HK$8,898,000 (2011: HK$11,398,000).

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Currency risk

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

Foreign currency risk management

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

	Assets		Liabilities	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Pound Sterling	**118,894**	113,788	**–**	–
United States dollars	**1,155,392**	284,111	**3,385**	4,191
Euro dollars	**9,776**	6,401	**4,572**	238
Australian dollars	**11,128**	198,415	**–**	–
New Zealand dollars	**65,499**	60,030	**–**	–
Canadian dollars	**144,290**	140,787	**–**	–

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% (2011: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US dollars, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis below. 10% (2011: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2011: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2011: 10%) against the relevant currency. For a 10% (2011: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Foreign currency sensitivity (continued)

	2012 HK$'000	2011 HK$'000
Pound Sterling	11,889	11,379
Euro dollars	520	616
Australian dollars	1,113	19,842
New Zealand dollars	6,550	6,003
Canadian dollars	14,429	14,079

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

(iii) Other price risk

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

Other price sensitivity

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

If the prices of the listed available-for-sale investments had been 10% (2011: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$7,918,000 (2011: HK$6,520,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

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

6. Financial risk management objectives and policies (continued)

(b) Liquidity risk

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

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

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

	Interest rate	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Over 3 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
THE GROUP										
2012										
Non-interest bearing	–	378,440	–	–	–	–	–	–	378,440	378,440
Fixed interest rate instruments	3.84% to 6.09%	108,142	4,332	10,957	21,842	21,836	372,548	–	539,657	494,299
Variable interest rate instruments	0.78% to 5.92%	629,467	31,898	168,914	90,331	1,806,158	112,524	595,478	3,434,770	3,282,163
		1,116,049	36,230	179,871	112,173	1,827,994	485,072	595,478	4,352,867	4,154,902
2011										
Non-interest bearing	–	314,045	–	–	–	–	–	–	314,045	314,045
Fixed interest rate instruments	3.84% to 6.09%	5,855	5,855	11,703	123,543	21,895	21,889	373,446	564,186	496,012
Variable interest rate instruments	0.64% to 5.88%	26,580	486,207	2,098,951	157,567	31,911	31,470	100,000	2,932,686	2,898,156
		346,480	492,062	2,110,654	281,110	53,806	53,359	473,446	3,810,917	3,708,213

6. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

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

	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
THE GROUP					
2012					
Derivatives gross settlement					
Currency forward contracts					
– inflow	3,228	17,220	12,060	–	32,508
– outflow	(3,341)	(17,290)	(11,877)	–	(32,508)
	(113)	(70)	183	–	–
2011					
Derivatives gross settlement					
Currency forward contracts					
– inflow	5,164	2,719	3,427	1,317	12,627
– outflow	(5,566)	(2,832)	(3,815)	(1,448)	(13,661)
	(402)	(113)	(388)	(131)	(1,034)

(c) Credit risk

The Group's and the Company's principal financial assets are available-for-sale investments, investment in convertible bonds, notes receivable, amount due from a subsidiary, amounts due from associates, trade debtors, restricted cash and bank balances and cash. The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2012 and 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's statements of financial position.

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

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

6. Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

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

Other than concentration of credit risk on the Company's amount due from a subsidiary and the Group's amounts due from associates, the Group and the Company have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Categories of financial instruments

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
Trade debtors	**378,642**	293,327
Other receivables	**25,024**	45,829
Notes receivable	**–**	173,948
Amounts due from associates	**280,152**	231,738
Straight debt receivable in investment in convertible bonds	**–**	2,689,753
Restricted cash	**122,487**	12,295
Bank balances and cash	**3,565,257**	2,439,288
	4,371,562	5,886,178
Financial assets at FVTPL		
Embedded derivatives in investment in convertible bonds	**–**	144,636
Available-for-sale financial assets		
Available-for-sale investments	**133,711**	92,775

6. Financial risk management objectives and policies (continued)

(d) Categories of financial instruments (continued)

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	**178,774**	152,455
Other payables	**199,666**	161,590
Borrowings	**3,776,462**	3,394,168
	4,154,902	3,708,213
Financial liabilities at fair value through profit or loss		
Derivative financial instruments classified as held-for-trading	**–**	1,034

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
Amount due from a subsidiary	**21,873,930**	22,045,847
Bank balances and cash	**7,688**	4,813
	21,881,618	22,050,660

(e) Fair value

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

- the fair values of listed available-for-sale investments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted closing prices.
- the fair values of derivative financial instruments are determined using valuation provided by counterparty financial institutions and banks. For embedded derivatives in investment in convertible bonds, their fair values are determined based on the Binomial model using the assumptions that are supported by observable market data.
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

6. Financial risk management objectives and policies (continued)

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

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

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
2012				
Available-for-sale financial assets				
Available-for-sale investments	**79,175**	**–**	**–**	**79,175**
2011				
Financial assets at FVTPL				
Embedded derivatives in investment in convertible bonds	–	–	144,636	144,636
Available-for-sale financial assets				
Available-for-sale investments	65,200	–	–	65,200
	65,200	–	144,636	209,836
Financial liabilities at FVTPL				
Derivative financial instruments classified as held-for-trading	–	1,034	–	1,034

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

6. Financial risk management objectives and policies (continued)

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

Reconciliation of Level 3 fair value measurement of financial assets

	Designated at FVTPL HK$'000	Embedded derivatives in investment in convertible bonds HK$'000	Total HK$'000
At 1 January 2011	77,740	758,820	836,560
Purchase during the year	147,466	–	147,466
Settlement during the year	(225,390)	–	(225,390)
Change in fair value recognised in profit or loss	–	(614,184)	(614,184)
Exchange adjustments	184	–	184
At 31 December 2011	–	144,636	144,636
Decognised upon conversion during the year	–	(144,636)	(144,636)
At 31 December 2012	–	–	–

7. Revenue

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

	2012 HK$'000	2011 HK$'000
Property rental income	279,390	275,562
Building management service income	21,745	19,713
Hotel income	4,094,726	3,862,001
Sales of goods	150,309	124,338
Management service income earned as a manager of real estate investment trust classified as an associate	199,896	187,474
Others	247,261	277,248
	4,993,327	4,746,336

8. Segment information

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

Property investment	–	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Hotel operation	–	hotels accommodation, food and banquet operations as well as hotel management.
Income from Champion REIT	–	management service income for acting as the manager of Champion REIT and provision of property management service to Champion REIT.
Other operations	–	sales of building materials, restaurant operation, fitness centre operation, investment in securities, provision of property management, maintenance and property agency services.

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

8. Segment information (continued)

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

2012

Segment revenue and results

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External revenue	301,135	4,094,726	272,797	324,669	–	4,993,327
Inter-segment revenue	2,329	–	–	11,685	(14,014)	–
Total	303,464	4,094,726	272,797	336,354	(14,014)	4,993,327

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

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS						
Segment results	195,609	1,040,436	239,791	150,791		1,626,627
Other corporate income						24,084
Centralised corporate expenses						(115,981)
Depreciation						(372,610)
Fair value changes on investment properties						435,021
Net gain on derivative financial instruments						43,732
Finance costs						(107,638)
Share of results of associates						2,252,081
Share of results of a jointly controlled entity						(9,899)
Profit before tax						3,775,417
Income taxes						(222,751)
Profit for the year						3,552,666

8. Segment information (continued)

2012 (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:					
Interest income on investment in convertible bonds	–	–	–	108,201	108,201
Interest income on notes receivable	–	–	–	2,833	2,833

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

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Addition to non-current assets (note)	21,284	1,172,508	–	134,965	1,328,757

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

8. Segment information (continued)

2011

Segment revenue and results

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

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

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

8. Segment information (continued)

2011 (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:					
Interest income on investment in convertible bonds	–	–	–	161,976	161,976
Interest income on notes receivable	–	–	–	6,270	6,270
Amounts regularly provided to the chief operating decision maker in segment reporting:					
Addition to non-current assets (note)	9,395	191,955	–	21,000	222,350

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

Segment assets and liabilities

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

8. Segment information (continued)

Geographical information

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

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

	Revenue from external customers		Carrying amounts of non-current assets	
	2012 HK$'000	2011 HK$'000	**2012** HK$'000	2011 HK$'000
Hong Kong	**2,431,569**	2,200,410	**8,711,249**	8,405,466
The USA	**718,253**	692,674	**3,497,563**	2,679,661
Canada	**526,344**	565,497	**766,931**	773,735
The United Kingdom	**528,747**	519,267	**1,973,973**	1,917,655
Australia	**500,936**	427,039	**1,161,246**	821,557
New Zealand	**255,362**	274,086	**436,580**	421,104
Others	**32,116**	67,363	**1,738**	529
	4,993,327	4,746,336	**16,549,280**	15,019,707

Information about major customers

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

9. Other income

	2012 HK$'000	2011 HK$'000
Interest income on:		
Bank deposits	**29,007**	23,065
Investment in convertible bonds (note 22)	**108,201**	161,976
Notes receivable	**2,833**	6,270
	140,041	191,311
Net exchange gain	**14,098**	–
Gain on disposal of property, plant and equipment	**–**	16
Recovery of bad debts written off	**405**	–
Sundry income	**2,160**	6,429
	156,704	197,756

10. Finance costs

	2012 HK$'000	2011 HK$'000
Interest on bank borrowings wholly repayable within five years	61,362	57,003
Interest on other loans wholly repayable within five years	33,372	34,980
Other borrowing costs	12,904	8,044
	107,638	100,027

11. Income taxes

	2012 HK$'000	2011 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	100,715	78,266
Other jurisdictions	17,800	22,294
	118,515	100,560
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(2,138)	10,239
Other jurisdictions	(1,665)	1,689
	(3,803)	11,928
	114,712	112,488
Deferred tax (note 31):		
Current year	95,655	48,561
Underprovision in prior years	12,384	8,118
	108,039	56,679
	222,751	169,167

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

11. Income taxes (continued)

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

	2012 HK$'000	2011 HK$'000
Profit before tax	3,775,417	4,396,370
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	622,944	725,401
Tax effect of expenses that are not deductible for tax purpose	8,079	111,700
Tax effect of income that is not taxable for tax purpose	(82,970)	(133,660)
Underprovision in prior years	8,581	20,046
Tax effect of share of results of associates	(371,593)	(557,000)
Tax effect of share of results of a jointly controlled entity	1,633	1,490
Tax effect of tax losses not recognised	20,806	15,178
Utilisation of tax losses previously not recognised	(35,053)	(34,203)
Effect of different tax rates of subsidiaries operating in other jurisdictions	47,943	26,193
Others	2,381	(5,978)
Tax charge for the year	222,751	169,167

12. Profit for the year

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	1,695,541	1,611,125
Share based payments (including directors' emoluments)	16,610	17,661
	1,712,151	1,628,786
Depreciation	372,610	362,081
Auditor's remuneration	6,935	6,122
Allowance for doubtful debts (included in other expenses)	–	2,343
Operating lease payments on rented premises	29,473	28,505
Cost of inventories recognised as an expense	542,377	496,463
Loss on disposal of property, plant and equipment	152	–
Share of tax of associates (included in the share of results of associates)	128,793	99,402
Net exchange loss	–	18,352
Fitting-out works of hotel building written off (included in other expenses)	673	–
and after crediting:		
Recovery of bad debts written off	405	–
Gain on disposal of property, plant and equipment	–	16
Net exchange gain	14,098	–
Dividend income from listed investments	3,267	3,043
Rental income from investment properties less related outgoings of HK$82,986,000 (2011: HK$99,795,000)	196,404	175,767

13. Directors' and employees' emoluments

The emoluments paid or payable to each of the twelve (2011: twelve) directors were as follows:

2012	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	130	–	–	–	–	130
Dr. LO Ka Shui	130	9,853	2,636	3,906	406	16,931
Mr. LO Kai Shui	130	1,434	276	626	66	2,532
Mr. CHENG Hoi Chuen, Vincent	420	–	–	–	–	420
Professor WONG Yue Chim, Richard	380	–	–	–	–	380
Mrs. LEE Pui Ling, Angelina	380	–	–	–	–	380
Mr. Zhu Qi	290	–	–	–	–	290
Mr. LO Hong Sui, Antony	130	1,277	266	744	64	2,481
Madam LAW Wai Duen	130	516	108	626	26	1,406
Mr. LO Hong Sui, Vincent	130	–	–	–	–	130
Dr. LO Ying Sui	130	–	–	–	–	130
Mr. KAN Tak Kwong	130	4,834	1,289	1,807	242	8,302
	2,510	17,914	4,575	7,709	804	33,512

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

13. Directors' and employees' emoluments (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2011: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	14,910	13,694
Discretionary bonuses	1,582	1,998
Share options	925	1,084
Retirement benefits scheme contributions	960	755
	18,377	17,531

	2012 Number of employees	2011 Number of employees
Bands:		
HK$4,500,001-HK$5,000,000	–	1
HK$5,000,001-HK$5,500,000	1	–
HK$5,500,001-HK$6,000,000	–	–
HK$6,000,001-HK$6,500,000	1	1
HK$6,500,001-HK$7,000,000	1	1
	3	3

14. Dividends

	2012 HK$'000	2011 HK$'000
Dividends paid:		
– Final dividend of HK40 cents in respect of the financial year ended 31 December 2011 (2011: HK38 cents in respect of the financial year ended 31 December 2010) per ordinary share	251,604	237,625
– Interim dividend of HK23 cents in respect of the financial year ended 31 December 2012 (2011: HK21 cents in respect of the financial year ended 31 December 2011) per ordinary share	145,210	132,690
	396,814	370,315

On 27 June 2012, a final dividend of HK40 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2011 (2011: final dividend of HK38 cents in respect of the financial year ended 31 December 2010). The scrip dividend alternatives were accepted by the shareholders as follows:

	2012 HK$'000	2011 HK$'000
Dividends:		
Cash	204,824	79,641
Share alternative	46,780	157,984
	251,604	237,625

	2012 HK$'000	2011 HK$'000
Dividends proposed:		
– Proposed final dividend of HK43 cents in respect of the financial year ended 31 December 2012 (2011: HK40 cents in respect of the financial year ended 31 December 2011) per ordinary share	271,502	251,627

The proposed final dividend in respect of the financial year ended 31 December 2012 is subject to approval by the shareholders in the forthcoming annual general meeting.

15. Earnings per share

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

	2012 HK$'000	2011 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	3,551,830	4,227,203
Effect of dilutive potential shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share (note)	(24,589)	(79,018)
Earnings for the purpose of diluted earnings per share	3,527,241	4,148,185

	2012	2011
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	631,186,495	630,856,951
Effect of dilutive potential shares:		
Share options	417,885	914,329
Weighted average number of shares for the purpose of diluted earnings per share	631,604,380	631,771,280

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

16. Property, plant and equipment

	Freehold land HK$'000	Leasehold land HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
THE GROUP									
COST									
At 1 January 2011	1,308,861	2,349,418	9,282,405	465,681	135,114	877,529	3,545	23	14,422,576
Exchange adjustments	(6,029)	–	(33,040)	(264)	–	(7,722)	–	1	(47,054)
Additions	–	–	8,864	52,562	–	150,679	793	57	212,955
Disposals/written off	–	–	–	–	–	(14,210)	(756)	–	(14,966)
At 31 December 2011	1,302,832	2,349,418	9,258,229	517,979	135,114	1,006,276	3,582	81	14,573,511
Exchange adjustments	32,969	–	147,664	(1,251)	–	17,749	–	263	197,394
Additions	44,002	–	266,423	714,913	–	255,904	–	26,231	1,307,473
Disposals/written off	–	–	(774)	–	–	(3,338)	–	–	(4,112)
At 31 December 2012	**1,379,803**	**2,349,418**	**9,671,542**	**1,231,641**	**135,114**	**1,276,591**	**3,582**	**26,575**	**16,074,266**
DEPRECIATION AND IMPAIRMENT									
At 1 January 2011	192,234	688,562	2,466,723	–	14,990	647,387	3,261	23	4,013,180
Exchange adjustments	(280)	–	(12,392)	–	–	(5,410)	–	–	(18,082)
Charge for the year	–	44,766	193,280	–	5,368	118,298	359	10	362,081
Impairment loss recognised in the consolidated income statement	25,870	–	63,600	–	–	1,397	–	–	90,867
Eliminated on disposals/written off	–	–	–	–	–	(14,110)	(756)	–	(14,866)
At 31 December 2011	217,824	733,328	2,711,211	–	20,358	747,562	2,864	33	4,433,180
Exchange adjustments	1,052	–	40,821	–	–	12,995	–	11	54,879
Charge for the year	–	44,765	192,961	–	5,275	128,783	242	584	372,610
Eliminated on disposals/written off	–	–	–	–	–	(2,473)	–	–	(2,473)
At 31 December 2012	**218,876**	**778,093**	**2,944,993**	**–**	**25,633**	**886,867**	**3,106**	**628**	**4,858,196**
CARRYING AMOUNTS									
At 31 December 2012	**1,160,927**	**1,571,325**	**6,726,549**	**1,231,641**	**109,481**	**389,724**	**476**	**25,947**	**11,216,070**
At 31 December 2011	1,085,008	1,616,090	6,547,018	517,979	114,756	258,714	718	48	10,140,331

Included in the additions of furniture and fixtures and plant and machinery of HK$255,904,000 and HK$26,231,000 respectively during the year ended 31 December 2012 are additions of hotel renovation and hotel machinery amounting to HK$88,001,000 and HK$26,231,000 respectively of which the directors estimate useful lives of 10 years and 25 years respectively. No such additions of hotel renovation and hotel machinery were made during the year ended 2011.

The leasehold land with carrying amounts of HK$1,552,897,000 (2011: HK$1,597,503,000) and HK$18,428,000 (2011: HK$18,587,000) as at 31 December 2012 are situated in Hong Kong under medium-term and long-term leases and are finance lease in nature, respectively. Freehold land is situated outside Hong Kong.

16. Property, plant and equipment (continued)

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

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

At 31 December 2011 and 2012, the Directors conducted an impairment assessment on hotel properties, no recognition or reversal of impairment loss was made for the both years ended except the hotel property located in the USA for the year ended 31 December 2011 as disclosed above.

17. Investment properties

	THE GROUP	
	2012 HK$'000	2011 HK$'000
FAIR VALUE		
At 1 January	4,879,376	4,192,297
Exchange adjustments	(2,471)	(1,004)
Additions	21,284	9,395
Increase in fair value recognised in the consolidated income statement	435,021	678,688
At 31 December	5,333,210	4,879,376

(a) The Group's property interests situated in Hong Kong of HK$4,246,520,000 (2011: HK$3,880,970,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties at 31 December 2012 and 2011 has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Knight Frank Petty Limited (2011: Savills Valuation and Professional Services Limited)

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

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

17. Investment properties (continued)

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

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Long leases in Hong Kong	**4,047,520**	3,691,970
Medium-term leases in Hong Kong	**199,000**	189,000
Freehold outside Hong Kong	**1,086,690**	998,406
	5,333,210	4,879,376

18. Investment in a subsidiary

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**1,572,734**	1,572,734

Particulars regarding the principal subsidiaries are set out in note 42.

19. Interests in associates

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Cost of investment in associates:		
Unlisted associates in Hong Kong	12	12
Unlisted associate in the People's Republic of China ("PRC") (note a)	189,198	189,198
Listed associates in Hong Kong:		
– investment in Champion REIT (note b)	13,493,536	10,904,736
– others	2,596	2,596
	13,496,132	10,907,332
Share of post acquisition profit and other comprehensive income, net of dividend received	6,714,432	5,132,471
	20,399,774	16,229,013
Amounts due from associates (note c)	280,152	231,738
	20,679,926	16,460,751
Fair value of listed associates	12,315,491	7,606,225

19. Interests in associates (continued)

(a) The Group acquired one-third of the entire issued share capital of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited, a related company in which a director of the Company who is also a close family member of the chairman and managing director of the Group has controlling interest, for a consideration of US$24,118,000 (equivalent to HK$188,120,000) in August 2010. MGIL indirectly holds a hotel property in the Luwan District, Shanghai and the Group provides hotel management and related services to MGIL (see note 40).

(b) The Directors evaluated the amendments to the deed of trust constituting Champion REIT (the "Trust Deed") in July 2010 in accordance with revisions to the Code on Real Estate Investment Trusts published by The Securities and Futures Commission of Hong Kong, and concluded that the Group was able to exert significant influence on Champion REIT upon such amendments to the Trust Deed. Accordingly, the Group's holding of units issued by Champion REIT were classified as interest in an associate with effect from July 2010.

In August 2012, the Group converted the Bonds (as defined in note 22) issued by Champion REIT with an aggregate principal amount of HK$2,340 million. The Bonds were fully converted at the conversion price of HK$3.44 per unit for 680,232,558 units of Champion REIT and cash of HK$518,310,000. As a result, the fair value of the units received by the Group was recognised as additional interest in the associate during the year.

During the year ended 31 December 2012, units of Champion REIT of fair value HK$117,185,000 (2011: HK$108,825,000) was received as settlement by Champion REIT in respect of management service income earned as the manager of Champion REIT, accordingly, cost of investment in the associate was increased by the same amount.

(c) During the year ended 31 December 2012, the Group has further injected HK$49,551,000 (2011: HK$218,523,000) to MGIL for funding the outstanding construction costs payable and bank loan obligations. The amounts were unsecured, interest-free and have no fixed repayment terms. The associates are not expected to repay within twelve months from the end of the reporting period and the balances are classified as non-current.

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

Particulars regarding the associates are set out in note 43.

19. Interests in associates (continued)

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

	2012 HK$'000	2011 HK$'000
Total assets	59,891,586	56,331,884
Total liabilities	(15,639,386)	(17,576,317)
Net assets	44,252,200	38,755,567
Group's share of net assets of the principal associate	20,167,757	15,945,899
Revenue	2,059,014	1,940,282
Fair value changes on investment properties	3,435,451	4,634,700
Profit for the year	4,159,951	6,492,970
Other comprehensive income for the year	–	122,372
Group's share of results of the principal associate for the year	2,274,247	3,356,217
Group's share of other comprehensive expense of the principal associate	–	(66,251)

20. Interest in a jointly controlled entity

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Cost of investment in a jointly controlled entity	632,612	632,612
Share of post acquisition results and other comprehensive income	16,098	20,878
	648,710	653,490

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly owned subsidiary of the Company and an independent third party investor (the "Investor") in February 2010, the financial and operating policies of Wealth Joy Holdings Limited ("Wealth Joy") require unanimous consent from the Group and the Investor, accordingly Wealth Joy is accounted for as a jointly controlled entity of the Group.

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

Each of the Group and the Investor further injected capital of HK$112,500,000 to the jointly controlled entity for funding the development of the project during the year ended 31 December 2011.

20. Interest in a jointly controlled entity (continued)

The Group's interest in the jointly controlled entity amounted to HK$648,710,000 (2011: HK$653,490,000) as at 31 December 2012.

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

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

	2012 HK$'000	2011 HK$'000
Current assets	895,716	679,096
Non-current assets	601	700
Current liabilities	57,112	26,306
Non-current liability	190,495	–
Income recognised in profit or loss	30	55
Expenses recognised in profit or loss	9,929	9,087
Other comprehensive income	5,119	24,721

21. Available-for-sale investments

Available-for-sale investments comprise:

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Listed equity securities in Hong Kong	79,175	65,200
Unlisted equity securities in Hong Kong	24,440	19,781
Unlisted equity securities outside Hong Kong	30,096	7,794
	133,711	92,775
Market value of listed securities	79,175	65,200

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

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

22. Investment in convertible bonds

THE GROUP

	Straight debt HK$'000	Embedded derivatives HK$'000	Total HK$'000
At 1 January 2011	2,551,177	758,820	3,309,997
Interest income recognised during the year	161,976	–	161,976
Interest received	(23,400)	–	(23,400)
Change in fair value	–	(614,184)	(614,184)
At 31 December 2011	2,689,753	144,636	2,834,389
Interest income recognised during the year	108,201	–	108,201
Interest received	(11,700)	–	(11,700)
Derecognised upon conversion during the year	(2,786,254)	(144,636)	(2,930,890)
At 31 December 2012	–	–	–

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

The Bonds entitle the holders to convert them into units of Champion REIT at any time on or after 3 June 2009 up to the date which is seven days prior to 3 June 2013. The conversion price after adjusting for the Excess Distribution (as defined in the terms and condition of the Bonds) on 16 May 2012, was HK$3.44 per unit. If the holder has elected to convert the Bonds, the issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94% of the outstanding principal amount. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

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

In August 2012, pursuant to an invitation made by Champion REIT to the bondholders of the Bonds to convert their bonds as described in the announcement made by Champion REIT, the Group converted the entire HK$2,340 million aggregate principal amount of the Bonds held by the Group. Under the terms of the conversion, the Bonds were fully converted at the conversion price of HK$3.44 per unit into 680,232,558 units of Champion REIT together with HK$518,310,000 incentive payment in cash received by the Group. The fair value of the units of Champion REIT upon which the bonds were converted is recognised as interest in an associate accordingly.

The fair value of the embedded derivatives at 31 December 2011 was based on a valuation carried out by an independent valuer. The fair value was determined based on the Binomial model using assumptions, some of which were supported by observable market data, including dividend yield of 7.13%, unit price of Champion REIT at HK$2.92, risk-free rate of 0.3% in respect of the Bonds, and expected volatility of 40.7% with reference to Champion REIT's historical volatility of the past 1.5 years.

23. Notes receivable

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Unsecured bonds	–	16,251
Medium term notes	–	157,697
	–	173,948
Less: Amounts due within one year shown under current assets	–	(96,251)
Amounts due after one year	–	77,697

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

The unsecured bonds issued by reputable financial institutions were denominated in Australian dollars and carried annual fixed coupon interest rates ranging from 6% to 6.32%, or bank-bill reference rate in Australia plus certain spread per annum and were matured during the year ended 31 December 2012.

The medium term notes issued by reputable financial institutions were denominated in Hong Kong dollars and United States dollars and carried interest at fixed rates ranging from 3% to 5.15% per annum in the first six to twelve months starting from the issue dates and at variable rates based on either 3-month LIBOR or 3-month HIBOR, thereafter till the maturity dates ranging from August 2012 to August 2013. The medium term notes were matured or early redeemed during the year ended 31 December 2012.

24. Restricted cash, bank balances and cash

Restricted cash

At 31 December 2012, a sum of US$15 million (equivalent to approximately HK$116,265,000) being purchase deposit was held in escrow pending for completion of the acquisition of a hotel property in New York, the USA. The corresponding sale and purchase agreement (the "Agreement") may be terminated by either party to the Agreement (each such party, a "Party") by serving notice to the other Party prior to 10 November 2013, in which event the purchase deposit together with interest thereon shall be promptly returned to the Group.

The remaining amount equivalent to HK$6,222,000 (2011: HK$12,295,000) was placed in designated bank account pursuant to applicable loan facilities requirements.

Bank balances and cash

Bank balances including short-term bank deposits with original maturity of less than three months carry interest at market rates which range from 0.16% to 4.68% (2011: 0.002% to 4.81%) per annum.

25. Inventories

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Completed properties held for sale	42	42
Raw materials	12,149	6,650
Trading goods	2,951	5,834
Provisions and beverages	40,449	39,149
Work-in-progress	38,163	43,565
	93,754	95,240

26. Debtors, deposits and prepayments

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Trade debtors, net of allowance for doubtful debts	378,642	293,327
Deferred rent receivables	19,469	23,242
Other receivables	25,024	45,829
Deposits and prepayments	67,821	61,019
	490,956	423,417

26. Debtors, deposits and prepayments (continued)

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

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

	2012 HK$'000	2011 HK$'000
0 – 3 months	291,485	242,336
3 – 6 months	21,530	9,158
Over 6 months	65,627	41,833
	378,642	293,327

Trade debtors as at 31 December 2012 and 2011 which are neither overdue nor impaired are in good quality. Included in the Group's trade debtors balance are debtors with a carrying amount of HK$87,157,000 (2011: HK$50,991,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade debtors balance past due but not impaired

	2012 HK$'000	2011 HK$'000
3 – 6 months	21,530	9,158
Over 6 months	65,627	41,833
Total	87,157	50,991

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
At 1 January	64,620	62,277
Increase in allowance recognised in profit or loss	–	2,343
At 31 December	64,620	64,620

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

27. Amount due from a subsidiary

THE COMPANY

Amount due from a subsidiary was unsecured, interest-free and repayable on demand. At 31 December 2012, the Company will not demand for repayment from the subsidiary within the next twelve months from the end of the reporting period and therefore, classified such balance as a non-current asset.

28. Creditors, deposits and accruals

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Trade creditors	**178,774**	152,455
Deposits received	**212,079**	212,346
Construction fee payable and retention money payable	**8,164**	3,194
Accruals, interest payable and other payables	**622,921**	449,687
	1,021,938	817,682

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

	2012 HK$'000	2011 HK$'000
0-3 months	**166,630**	142,785
3-6 months	**1,646**	2,758
Over 6 months	**10,498**	6,912
	178,774	152,455
Deposits received		
– due within one year	**171,960**	178,391
– due more than one year	**40,119**	33,955
	212,079	212,346

29. Derivative financial instruments

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Foreign currency derivative contracts	–	1,034
Less: Amounts due within one year shown under current liabilities	–	(903)
Amounts due after one year	–	131

The Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Hong Kong. The Group is required to sell or buy Euro against Hong Kong dollars (2011: Euro against Hong Kong dollars) at contracted rates under these derivative contracts. At the end of the reporting period, the unexpired notional amount of these outstanding derivatives contracts amounted to Euro 3,176,000 (equivalent to HK$32,479,000) (2011: Euro 1,254,000 (equivalent to HK$12,607,000)). The derivative contracts will fully expire by 2013 (2011: 2013).

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

30. Borrowings

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Bank loans and revolving loans (secured)	2,797,958	2,391,819
Other non-current loans (secured)	996,557	1,009,675
	3,794,515	3,401,494
Loan front-end fee	(18,053)	(7,326)
	3,776,462	3,394,168
The maturity of the above loans based on scheduled repayment terms is as follows:		
Within one year	876,980	2,585,306
More than one year but not exceeding two years	38,534	262,721
More than two years but not exceeding five years	2,860,948	546,141
	3,776,462	3,394,168
Less: Amounts due within one year shown under current liabilities	(876,980)	(2,585,306)
Amounts due after one year	2,899,482	808,862

30. Borrowings (continued)

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

	2012 HK$'000	2011 HK$'000
Within one year	108,032	634
More than one year but not exceeding two years	6,794	108,179
More than two years but not exceeding three years	7,077	6,810
More than three years but not exceeding four years	372,396	7,094
More than four years but not exceeding five years	–	373,295
	494,299	496,012

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

	2012 HK$'000	2011 HK$'000
Within one year	768,948	2,584,672
More than one year but not exceeding two years	31,740	154,542
More than two years but not exceeding three years	1,786,912	29,530
More than three years but not exceeding four years	99,287	29,530
More than four years but not exceeding five years	595,276	99,882
	3,282,163	2,898,156

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

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	3.84% to 6.09%	3.84% to 6.09%
Variable-rate borrowings	0.78% to 5.92%	0.64% to 5.88%

31. Deferred taxation

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

	Property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2011	582,867	(354,194)	50,526	279,199
Exchange differences	(3,055)	(426)	64	(3,417)
Charge (credit) to profit or loss for the year	34,683	38,852	(16,856)	56,679
At 31 December 2011	614,495	(315,768)	33,734	332,461
Exchange differences	8,842	(1,625)	(6)	7,211
Charge (credit) to profit or loss for the year	78,347	30,193	(501)	108,039
At 31 December 2012	**701,684**	**(287,200)**	**33,227**	**447,711**

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

At the end of the reporting period, the Group has unutilised tax losses of HK$2,366,931,000 (2011: HK$2,597,888,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,120,445,000 (2011: HK$1,314,416,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,246,486,000 (2011: HK$1,283,472,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$775,604,000 (2011: HK$775,604,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$775,604,000 (2011: HK$775,604,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$967,860,000 (2011: HK$950,815,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. Share capital

		2012		2011	
		Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
(a)	Authorised:				
	Shares of HK$0.50 each				
	Balance brought forward and carried forward	800,000	400,000	800,000	400,000
(b)	Issued and fully paid:				
	Shares of HK$0.50 each				
	Balance brought forward	629,067	314,533	622,810	311,404
	Issued upon exercise of share options under the share option schemes	578	289	2,884	1,442
	Issued as scrip dividends	2,334	1,168	6,180	3,091
	Repurchase and cancellation of shares	(580)	(290)	(2,807)	(1,404)
	Balance carried forward	631,399	315,700	629,067	314,533

During the year ended 31 December 2012, 2,334,338 (2011: 6,180,898) shares of HK$0.50 each in the Company were issued at HK$20.04 (2011: HK$25.56) per share as scrip dividends.

The Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid before expenses HK$'000
2012				
January 2012	277,000	16.68	15.54	4,381
	277,000			4,381
2011				
October 2011	1,157,000	17.00	14.90	18,369
November 2011	1,185,000	17.00	15.06	19,102
December 2011	768,000	15.86	14.78	11,738
	3,110,000			49,209

32. Share capital (continued)

580,000 repurchased shares, comprising 303,000 shares repurchased in December 2011 and 277,000 shares repurchased in January 2012, were cancelled and the issued share capital of the Company was reduced by the par value of such shares. The premium paid on repurchase of such shares was charged against the share premium accounts. The total consideration paid to repurchase the 303,000 shares in 2011 amounted to HK$4,583,000 and such amount was recorded as treasury shares at 31 December 2011.

During the year ended 31 December 2011, 2,807,000 repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value of such shares. The premium paid on repurchase of such shares was charged against the share premium accounts. An amount equivalent to the par value of the shares cancelled was transferred from contributed surplus of the Company to capital redemption reserve.

33. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2011	3,762,428	1,650	426,202	39,577	19,178,123	23,407,980
Shares issued at premium	209,187	–	–	(14,282)	–	194,905
Share issue expenses	(59)	–	–	–	–	(59)
Repurchase of shares	(43,240)	1,404	(1,575)	–	–	(43,411)
Recognition of equity-settled share based payments	–	–	–	17,661	–	17,661
Profit and total comprehensive income for the year	–	–	–	–	100,938	100,938
Dividend paid	–	–	–	–	(370,315)	(370,315)
At 31 December 2011	3,928,316	3,054	424,627	42,956	18,908,746	23,307,699
Shares issued at premium	52,662	–	–	(1,860)	–	50,802
Share issue expenses	(80)	–	–	–	–	(80)
Repurchase of shares	(8,692)	–	–	–	–	(8,692)
Recognition of equity-settled share based payments	–	–	–	16,610	–	16,610
Lapse of share options	–	–	–	(11,911)	11,911	–
Profit and total comprehensive income for the year	–	–	–	–	160,745	160,745
Dividend paid	–	–	–	–	(396,814)	(396,814)
At 31 December 2012	**3,972,206**	**3,054**	**424,627**	**45,795**	**18,684,588**	**23,130,270**

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

34. Share options

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

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

Further details of the 1999 Share Option Scheme

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

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

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

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

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

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

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

34. Share options (continued)

Further details of the 2009 Share Option Scheme

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

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

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

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

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

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

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

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

34. Share options (continued)

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

1999 Share Option Scheme

In 2012 Year of grant of options	**Number of shares Outstanding options at 1 January 2012**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2012**
2007	**1,529,000**	**–**	**(1,529,000)**	**–**
2009	**1,073,000**	**(572,000)**	**–**	**501,000**
	2,602,000	**(572,000)**	**(1,529,000)**	**501,000**
Exercisable at end of the year				**501,000**
Weighted average exercise price	**HK$16.99**	**HK$9.34**	**HK$22.35**	**HK$9.34**

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

34. Share options (continued)

2009 Share Option Scheme

In 2012 Year of grant of options	Number of shares Outstanding options at 1 January 2012	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2012
2010	2,529,000	–	(6,000)	(77,000)	2,446,000
2011	2,896,000	–	–	(168,000)	2,728,000
2012	–	3,210,000	–	(135,000)	3,075,000
	5,425,000	3,210,000	(6,000)	(380,000)	8,249,000
Exercisable at end of the year					2,446,000
Weighted average exercise price	HK$24.60	HK$23.20	HK$22.80	HK$24.44	HK$24.07

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

34. Share options (continued)

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

1999 Share Option Scheme

In 2012 Year of grant of options	**Number of shares** Outstanding options at 1 January 2012	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2012
2007-2009	**1,412,000**	**–**	**(362,000)**	**(800,000)**	**250,000**

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

2009 Share Option Scheme

In 2012 Year of grant of options	**Number of shares** Outstanding options at 1 January 2012	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2012
2010-2012	**2,417,000**	**1,228,000**	**–**	**–**	**3,645,000**

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

The weighted average price of the shares on the date the options were exercised was HK$22.35 (2011: HK$25.26 under the 1999 Share Option Scheme), and HK$23.80 under the 1999 Share Option Scheme and 2009 Share Option Scheme, respectively, for the year ended 31 December 2012. No option had been exercised under the 2009 Share Option Scheme for the year ended 31 December 2011.

34. Share options (continued)

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

Year	Date of grant	Exercisable period	Subscription price per share HK$
1999 Share Option Scheme			
2007	4.1.2007	5.1.2009-4.1.2012	22.35
2009	8.1.2009	9.1.2011-8.1.2014	9.34
2009 Share Option Scheme			
2010	4.3.2010	5.3.2012-4.3.2015	22.80
2011	7.3.2011	8.3.2013-7.3.2016	26.18
2012	8.3.2012	9.3.2014-8.3.2017	23.20

Notes:

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

(ii) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 3 January 2007, 7 January 2009, 3 March 2010, 4 March 2011 and 7 March 2012 being the business date immediately before the date on which share options were granted, were HK$21.9, HK$9.45, HK$23.00, HK$26.10 and HK$21.90, respectively.

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

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

Date of grant:	8.3.2012	7.3.2011	4.3.2010	8.1.2009	4.1.2007
Exercise price:	HK$23.20	HK$26.18	HK$22.80	HK$9.34	HK$22.35
Expected volatility (note a):	33.32%	31.90%	48.98%	52.48%	41.76%
Expected dividend yield (note b):	2.79%	2.28%	2.46%	5.75%	1.40%
Expected life from grant date:	5 years	5 years	5 years	5 years	5 years
Risk free interest rate (note c):	0.50%	1.88%	1.65%	1.31%	3.82%
Fair value per option:	HK$5.44	HK$6.57	HK$8.51	HK$3.16	HK$7.79

Notes:

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

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

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

The Group recognised the total expense of HK$16,610,000 for the year ended 31 December 2012 (2011: HK$17,661,000) in relation to share options granted by the Company.

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

35. Retirement benefit schemes

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

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

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

Forfeited contributions to retirement schemes for the year ended 31 December 2012 amounting to HK$361,000 (2011: HK$370,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2012 charged to the consolidated income statement amounted to HK$54,827,000 (2011: HK$48,123,000). As at 31 December 2012, contributions of HK$2,369,000 (2011: HK$3,010,000) due in respect of the year had not been paid over to the schemes.

36. Major non-cash transactions

(a) During the year ended 31 December 2012, 2,334,338 (2011: 6,180,898) shares of HK$0.50 each in the Company were issued at HK$20.04 (2011: HK$25.56) per share as scrip dividends.

(b) During the year ended 31 December 2012, management service income of HK$199,896,000 (2011: HK$187,474,000) was earned as manager of Champion REIT in which HK$59,772,000 (2011: HK$55,072,000) and HK$39,848,000 (2011: HK$36,714,000) have been settled in the form of units of Champion REIT and by cash, respectively. The units received were classified as interests in associates.

The remaining balance of HK$60,166,000 (2011: HK$57,413,000) and HK$40,110,000 (2011: HK$38,275,000) will be settled in the form of units of Champion REIT and by cash subsequent to the year end, respectively.

(c) During the year ended 31 December 2012, the Group converted the Bonds (as defined in note 22) issued by Champion REIT with an aggregate principal amount of HK$2,340 million. The Bonds were fully converted at the conversion price of HK$3.44 per unit, 680,232,558 units of Champion REIT were received together with the cash incentive payment of HK$518,310,000. The fair value of units of Champion REIT upon which the Group decided to convert those bonds into units was recognised as interest in an associate accordingly.

37. Pledge of assets

At 31 December 2012, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$4,405,490,000 (2011: HK$4,001,107,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$6,164,721,000 (2011: HK$5,895,335,000);

(c) the Group's leasehold land and owner occupied buildings in Hong Kong with a total carrying value of HK$127,875,000 (2011: HK$133,309,000); and

(d) subsequent to the end of the reporting period, leasehold land and hotel buildings with a carrying value of HK$2,084,146,000 (2011: nil) were discharged.

38. Commitments and contingent liabilities

At 31 December 2012, the Group has authorised capital expenditure for acquisition of investment properties and property, plant and equipment (including the proposed acquisition of property as set out in note 24) which is not provided for in these consolidated financial statements amounting to HK$471,119,000 (2011: HK$651,229,000) of which HK$398,077,000 (2011: HK$70,861,000) was contracted for.

At 31 December 2012, the Group has outstanding financial commitment in respect of capital injection to a jointly controlled entity of RMB26,500,000 (equivalent to HK$32,500,000) (2011: RMB26,500,000 (equivalent to HK$32,500,000)) and share of commitment of construction cost to completion of a hotel property owned by an associate of RMB106,000,000 (equivalent to HK$130,000,000) (2011: RMB132,280,000 (equivalent to HK$163,247,000)).

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

39. Operating lease arrangements

The Group as lessor

Property rental income earned during the year was HK$279,390,000 (2011: HK$275,562,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Contingent rental income earned during the year ended 31 December 2012 is HK$697,000 (2011: HK$617,000).

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

	2012 HK$'000	2011 HK$'000
Within one year	195,566	204,372
In the second to fifth years inclusive	319,489	341,915
After five years	40,363	48,184
	555,418	594,471

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

The Group as lessee

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

	2012 HK$'000	2011 HK$'000
Within one year	12,567	19,906
In the second to fifth years inclusive	4,314	12,510
	16,881	32,416

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

40. Connected and related party disclosures

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

Related companies set out below are companies in which Mr. Lo Hong Sui, Vincent or Mr. Lo Kai Shui, both being Directors of the Company who are also close family members of the Chairman, has controlling interests. Mr. Lo Hong Sui, Vincent, Mr. Lo Kai Shui, Dr. Lo Ka Shui and other family members are among the beneficiaries under a family trust holding 33.08% interest, which is a substantial shareholder of the Company.

The following transactions (other than transactions with Champion REIT and Wealth Joy) are also connected transactions as defined in the chapter 14A of the Listing Rules.

	2012 **HK$'000**	2011 HK$'000
Transactions with associates for the year ended 31 December		
Champion REIT and its subsidiaries		
Asset management service income	**199,896**	187,474
Marketing service income	**16,356**	25,643
Property management service income	**56,545**	51,177
Repairs and maintenance income	**3,733**	3,836
Rental charges	**23,735**	23,271
Building management fee expense	**5,453**	5,218
Interest received on investment in convertible bonds	**11,700**	23,400
Incentive payments received upon conversion of convertible bonds	**518,310**	–
MGIL and its subsidiaries		
Licence fee and hotel management fee income	**5,634**	1,888
Reimbursable centralised hotel expenses	**7,164**	4,602
Supply procurement and consultancy services income	**387**	1,539
Transactions with a jointly controlled entity for the year ended 31 December		
Wealth Joy and its subsidiaries		
Project advisory income	**20,001**	18,371
Investment management income	**11,956**	11,956
Supply procurement and consultancy services income	**1,433**	–

40. Connected and related party disclosures (continued)

	2012 HK$'000	2011 HK$'000
Transactions with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee received	900	900
Transactions with related companies for the year ended 31 December		
Sun Fook Kong Holdings Ltd and its subsidiaries		
Rental income	4,393	4,393
Building management fee income	887	792
Trading income	703	13
Carpark income	96	96
Consultancy service income	600	450
Cleaning service charge	3,174	2,228
SOCAM Development Limited and its subsidiaries		
Trading income	236	983
Shui On Land Limited and its subsidiaries		
Licence fee and hotel management fee income	1,032	415
Global marketing fee	501	371
Reimbursable centralised hotel expenses	517	–
Supply procurement and consultancy services income	–	435
Shui Sing Holding Limited and its subsidiaries		
Rental charges	600	600
Management fee expense	509	435
Management fee income	240	240

40. Connected and related party disclosures (continued)

	2012 HK$'000	2011 HK$'000
Balances with associates, a jointly controlled entity and related companies as at 31 December		
Amounts due from associates (see note 19(c))		
Crucial Investments Limited	23	23
City Apex Limited	12,054	13,192
MGIL and its subsidiaries[1]	268,075	218,523
	280,152	231,738
Amounts due from associates[2] (included in trade debtors under debtors, deposits and prepayments)		
Champion REIT and its subsidiaries	112,902	120,027
MGIL and its subsidiaries	8,556	2,993
	121,458	123,020
Amount due from a jointly controlled entity[2] (included in trade debtors under debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	52,025	41,654
Amounts due from related companies[2] (included in debtors, deposits and prepayments)		
Sun Fook Kong Holdings Ltd and its subsidiaries	1,161	616
SOCAM Development Limited and its subsidiaries	39	81
Shui On Land Limited and its subsidiaries	324	124
	1,524	821
Amounts due to related companies[2] (included in creditors, deposits and accruals)		
Sun Fook Kong Holdings Ltd and its subsidiaries	824	885

Notes:

1. The Group had injected to MGIL, including investment cost, a total amount of HK$457,273,000 as at 31 December 2012 (2011: HK$407,722,000).

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

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

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

41. Events after the end of the reporting period

On 24 January 2013, it was announced that the Company submitted a proposal pursuant to Practice Note 15 of the Listing Rules to the Stock Exchange to spin-off its full-service hotel properties in Hong Kong (the "Hotel Properties") with the aim of seeking a separate listing of the Hotel Properties on the Main Board of the Stock Exchange in the form of a share stapled units structure. The Hotel Properties comprise the following hotels, namely, The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong.

42. Particulars of the principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2012 and 2011 are set out below:

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

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK$1 each	Property investment	100%
Champion Global Services Limited	1 share of HK$1	Provision of procurement services	92.5%
Chance Mark Limited	2 shares of HK$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK$1 each	Restaurant operation	100%
Eagle Asset Management (CP) Limited	16,000,000 shares of HK$1 each	Manager of real estate investment trust	100%
Eagle Property Management (CP) Limited	1 share of HK$1	Property management	100%
Ease Billion Development Limited	2 shares of HK$1 each	Property investment	100%
Eaton House Management Limited	1,000 shares of HK$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK$1 each	Property investment	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
Langham Hospitality Group Limited	1 share of HK$1	Investment holding	100%
Great Eagle (China) Investment Limited	1 share of HK$1	Investment holding	100%
Great Eagle Project Advisory Company Limited	1 share of HK$1	Provision of project management services	100%
Great Eagle Trading Holdings Limited	1,000 share of HK$1	Investment holding	92.5%
Grow On Development Limited	5,000 shares of HK$1 each	Hotel ownership and operation	100%
Harvest Star International Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Keysen Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	100%
Langham Hotels International Limited	5,000 shares of HK$1 each	Hotel management	100%
Langham Hotels (China) Limited	1 share of HK$1	Hotel management	100%
Langham Place Hotel (HK) Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Longworth Management Limited	10,000 shares of HK$1 each	Property management	100%
Mega Bloom (China) Limited	1 share of HK$1	Investment holding	100%
Moon Yik Company, Limited	10,000,000 shares of HK$1 each	Property investment	100%
Selex Properties Management Company, Limited	2 shares of HK$1 each	Property management	100%
Sharp Bloom Limited	1 share of HK$1	Treasury management	100%
Strong Dynamic Limited	2 shares of HK$1 each	Fitness centre operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK$10 each	Project management	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
The Great Eagle Engineering Company Limited	2 shares of HK$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK$100 each	Financing	100%
The Great Eagle Properties Management Company, Limited	1,800,000 shares of HK$1 each	Property management	100%
Toptech Co. Limited	2,000,000 shares of HK$1 each	Trading of building materials	92.5%
Venus Glory Company Limited	2 shares of HK$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK$10 each	Property investment	100%
88 Tiandi Limited	1 share of HK$1	Hospitality management services	60%
– incorporated in the British Virgin Islands:			
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%
G.E. Hotel (Xintiandi) Limited	1 share of US$1	Investment holding	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%
Main Treasure Holdings Limited	1 share of US$1	Provision of investment management services	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%
-incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US$1	Investment holding	100%
Ruby Dynasty Limited*	1 share of US$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%
The Great Eagle Hotels (NSW) Trust*	100 units of A$1 each	Hotel ownership	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 units of A$1 each	Hotel ownership	100%
NSW Hotel Management Pty Ltd*	2 shares of A$1 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel ownership and operation	100%

42. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in USA:			
Pacific Chicago LLC	US$8,000,000	Hotel ownership and operation	100%
Pacific EIH Sacramento Corporation	100 shares of US$1 each	Property investment	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	100%
Pacific 2700 Ygnacio Corporation	100 shares of US$1 each	Property investment	100%
Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
Shorthills NJ, Inc.	100 shares of US$1 each	Property investment	100%

* All these subsidiaries commenced its business during the year ended 31 December 2012.

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

None of the subsidiaries had any debt securities subsisting at 31 December 2012 and 2011 or at any time during both years.

43. Particulars of the associates

Details of the Group's associates at 31 December 2012 and 2011 are set out below:

Indirect associates	Issued and paid up equity share capital/units	Principal activities	Percentage of issued equity share capital held by the Group at 31 December 2012	2011
– incorporated in the British Virgin Islands:				
City Apex Limited	3,500 shares of US$1 each	Investment holding	23%	23%
Magic Garden Investments Limited	3 shares of US$1 each	Investment holding of subsidiaries which are engaged in hotel development and operation	33.33%	33.33%
– a trust constituted by the Trust Deed, regulated by, inter alia, the REIT Code and listed on the Stock Exchange:				
Champion REIT	5,671,360,403 units	Property investment	57.86%	51.69%
– incorporated in Bermuda and listed on the Stock Exchange:				
Cinderella Media Group Limited (note)	328,160,000 shares of HK$0.2 each	Investment holding of subsidiaries which are engaged in printing and publishing	19.07%	19.52%

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

44. Particulars of a jointly controlled entity

Details of the Group's jointly controlled entity at 31 December 2012 and 2011 are set out below:

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

APPENDIX I LIST OF MAJOR PROPERTIES

Properties held for long-term investment

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	6,000	100%
Eaton House, 3-5 Wan Chai Gap Road, Wan Chai, Hong Kong	Furnished apartments	35,000	100%
Eaton House, 100 Blue Pool Road, Happy Valley, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASES			
Eaton House, 4H Village Road, Happy Valley, Hong Kong	Furnished apartments	23,000	100%
Eaton, Hong Kong 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	312,000	100%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
Langham Place, Mongkok, Hong Kong 555 Shanghai Street, Mongkok Kowloon, Hong Kong	Hotel	508,000	100%
The Langham, Xintiandi, Shanghai 99 Madang Road, Xintiandi, Shanghai 200021, PRC	Hotel	579,000	33.33%
ON FREEHOLD LAND			
The Langham, London 1C Portland Place, Regent Street, London, W1B 1JA, United Kingdom	Hotel/Commercial	363,000	100%

Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND (continued)			
Delta Chelsea Hotel, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
The Langham, Sydney 89-113 Kent Street, Sydney, NSW 2000, Australia	Hotel	129,000	100%
The Langham, Auckland 83 Symonds Street, Auckland 1140, New Zealand	Hotel/Commercial	309,000	100%
Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	118,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, CA 94598 USA	Office	119,000	100%
The Langham, Boston 250 Franklin Street, Boston, MA 02110, USA	Hotel/Commercial	281,000	100%
353 Sacramento Street 353 Sacramento Street, San Francisco, CA 94111, USA	Commercial/Office	307,000	100%

Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND (continued)			
The Langham Huntington, Pasadena, Los Angeles 1401 South Oak Knoll Avenue, Pasadena, California 91106, USA	Hotel/Commercial	489,000	100%
The Langham, Chicago 330 North Wabash, Chicago, IL 60611, USA	Hotel	342,000	100%

Property under development

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASE			
Lot C04, Donggang area, Renmin Road East, Zhongshan District, Dalian, PRC*	Hotel/Apartments	3,079,000	50%

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

APPENDIX II FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
RESULTS					
Revenue	4,750,433	3,958,366	4,694,155	4,746,336	**4,993,327**
(Loss) profit before tax	(109,177)	1,040,755	4,814,978	4,396,370	**3,775,417**
Income taxes	213,058	192,210	(140,622)	(169,167)	**(222,751)**
Profit for the year	103,881	1,232,965	4,674,356	4,227,203	**3,552,666**
Attributable to:					
Owners of the Company	103,881	1,232,965	4,674,356	4,227,203	**3,551,830**
Non-controlling interests	–	–	–	–	**836**
	103,881	1,232,965	4,674,356	4,227,203	**3,552,666**
Earnings per share					
Basic	HK$0.17	HK$2.00	HK$7.51	HK$6.70	**HK$5.63**
Diluted	HK$0.17	HK$2.00	HK$7.48	HK$6.57	**HK$5.58**
ASSETS AND LIABILITIES					
Total assets	24,403,020	28,166,300	34,252,019	38,205,300	**42,284,081**
Total liabilities	(6,092,971)	(5,463,566)	(4,606,889)	(4,616,178)	**(5,342,442)**
	18,310,049	22,702,734	29,645,130	33,589,122	**36,941,639**
Equity attributable to owners of the Company	18,310,049	22,702,734	29,645,130	33,589,122	**36,938,780**
Non-controlling interests	–	–	–	–	**2,859**
	18,310,049	22,702,734	29,645,130	33,589,122	**36,941,639**

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expression shall have the followings

Term	Definition
"1999 Share Option Scheme"	the former Executive Share Option Scheme of the Company adopted by an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"Bonds"	the 1% guaranteed convertible bonds due 2013 issued by Champion REIT
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Champion REIT"	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of SFO, in which the Group has an interest of approximately 57.86% as at 31 December 2012
"Cinderella Media"	Cinderella Media Group Limited (Stock Code: 550), an associate of the Company, the shares of which are listed on the Stock Exchange, in which the Group has an interest of approximately 19.07% as at 31 December 2012
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company
"Company"	Great Eagle Holdings Limited
"CSR"	Corporate Social Responsibility
"EBITDA"	Earning before interest, taxes, depreciation and amortization
"Group"	the Company and its subsidiaries
"HITL"	HSBC International Trustee Limited
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"JCE"	Jointly controlled entity
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	The People's Republic of China
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"REIT Code"	the Code on Real Estate Investment Trusts published by the Securities and Futures Commission of Hong Kong
"USA"	United States of America

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

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

鷹君集團有限公司
Great Eagle
Holdings Limited

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

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