INSPIRED LIVING

ANNUAL REPORT 2012

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

Stock code: 71

Contents

About Miramar

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

Milestones

1948 Miramar Hotel opened its doors in 1948 and became the first postwar hotel in Hong Kong.

1957

Businessman Young Chi Wan took over the 192-room hotel property from a Spanish mission. Together with Dr Ho Sien Heng, they founded Miramar Hotel and Investment Company, Limited.

1966 Miramar Hotel was the first hotel in Hong Kong to join an international hotel network, taking advantage of the worldwide marketing exposure.

1970

Miramar Hotel and Investment Company, Limited went public.

1973 The renowned Tsui Hang Village Restaurant began building a loyal following with authentic Cantonese cuisine. It continues to serve up the same great regional classics and tasty dim sum to this day.

1978

With 8 years of listing on the local stock exchange, Miramar Hotel grew to over 1,300 rooms, making it the largest hotel in Southeast Asia at the time.

1986 Miramar Express was launched.

1988 The company ventured into the property market with the opening of Miramar Shopping Centre and Miramar Tower which offer retail shopping and prime office space that remain a key revenue driver.

1993

Acquired by Henderson Land Group.

2002 The company grew its property portfolio with the development of Knutsford Steps, adjacent to Miramar Shopping Centre.

2006 Miramar Travel was launched.

2008

Miramar Hotel was re-branded as The Mira Hong Kong and 2 years later, it became the first hotel in Hong Kong to join the Berlin-based cutting-edge collective, Design Hotels™ network, leading the way for lifestyle living, and paving the way for the Mira brand.

2010 Miramar Group extended its reach into the Mainland market with its Apparel business and helped launch over 40 DKNY Jeans stores to date.

2011 The Group introduced Hong Kong's Michelin Star Cantonese Restaurant, Cuisine Cuisine to the Mainland, beginning with Beijing.

2012

Miramar Group marked its 55th anniversary with the opening of Mira Mall, and the launch of contemporary Izakaya, Zanzo, in the trendy neighbourhood of Tai Hang.

The fourth Cuisine Cuisine opened in Wuhan in March, and The French Window was repositioned and reopened as a Brasserie in September.

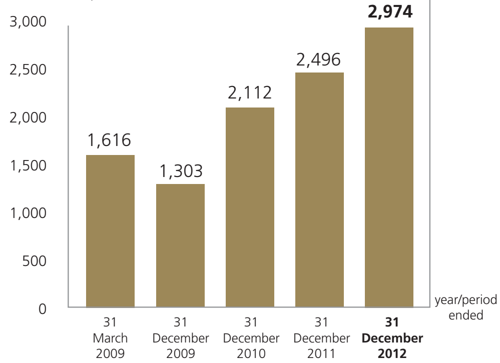
Financial Highlights

	For the year ended 31 December	
	2012	2011
	HK$'million	*HK$'million*
Turnover		
Property investment	**690**	566
Property development and sales	**173**	45
Hotel ownership and management	**615**	534
Food and beverage operation	**285**	228
Travel operation	**1,120**	1,055
Apparel operation	**91**	68
Total turnover	**2,974**	2,496
Profit attributable to shareholders of the Company	**1,377**	1,325
Underlying profit attributable to shareholders of the Company *(note)*	**448**	411
	HK$	*HK$*
Earnings per share	**2.39**	2.30
Underlying earnings per share	**0.78**	0.71
Dividend per share	**0.41**	0.38

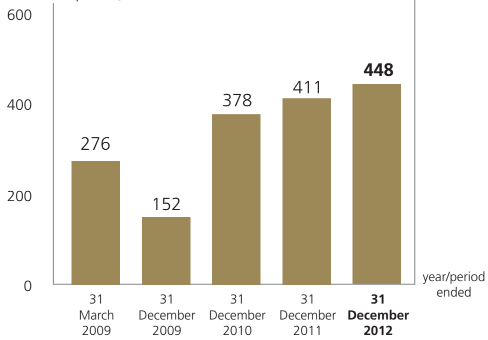
	At 31 December	
	2012	2011
	HK$'million	*HK$'million*
Consolidated net assets attributable to shareholders of the Company	**11,072**	9,907
	HK$	*HK$*
Consolidated net asset value per share	**19.40**	17.35

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

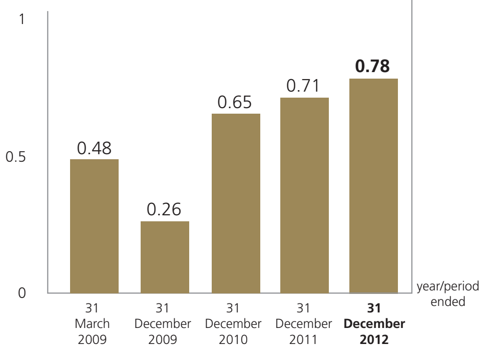
Turnover
HK$'million



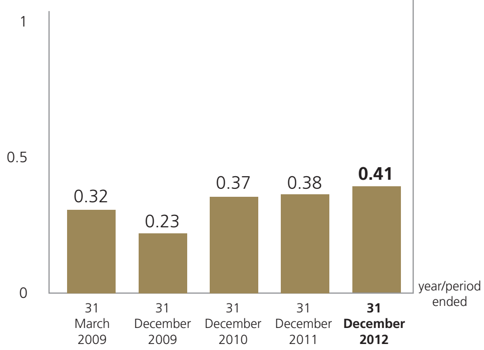
Underlying profit attributable to shareholders of the Company
HK$'million



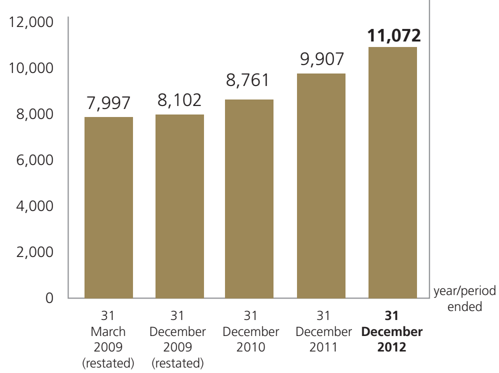
Underlying earnings per share
HK$



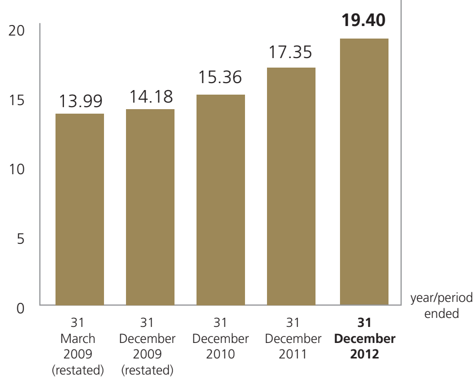
Dividend per share
HK$



Shareholders' equity
HK$'million



Net asset value per share
HK$



Notes:

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

(2) The figures for the period ended 31 December 2009 and the year ended 31 March 2009 have been restated to reflect the effect of early adoption of the amendments to HKAS 12, *Income taxes* in 2010.

Chairman's Statement

Review of Operations and Prospects

The Group's turnover rose by 19% to approximately HK$2,974,000,000 for the financial year ended 31 December 2012 (the "Reporting Period") when compared to the financial year ended 31 December 2011 (the "Last Corresponding Period") (2011: HK$2,496,000,000). Profit attributable to shareholders increased by 4% year-on-year to approximately HK$1,377,000,000 (2011: HK$1,325,000,000). Excluding the net increase in the fair value of the Group's investment properties, underlying profit attributable to shareholders grew by 9% to approximately HK$448,000,000 (2011: HK$411,000,000). Basic underlying earnings per share rose by 10% to HK$0.78 compared to the Last Corresponding Period (2011: HK$0.71).

BUSINESS OVERVIEW

The increasing number of visitors arrival of 48.6 million in 2012 continued to fuel development of hotel, food and beverage as well as travel industries in Hong Kong. The Group's businesses of hotel, property rental, food and beverage as well as travel captured the inbound tourism boom. In particular, its hotel and serviced apartment business recorded healthy growth in both occupancy and room rates. The Group continued to develop its diverse business during the Reporting Period and posted satisfactory results.

The Group continues with its strategy to enhance its commercial property portfolio. Renovation of the Group's two shopping centres paid off as numerous international trendy and high-end brands became tenants, thus boosting recurring rental income during the Reporting Period. The Group's multi-brand food and beverage business increased its choice of casual and high-end dining to cater to diverse tastes. The Group strengthened its contemporary dining concept and image to differentiate from its peers. The Group's travel business succeeded in attracting more long-haul visitors and in expanding its market share during the Reporting Period. The complementary pull factor increased patronage at the Group's hotels, shopping malls and restaurants, manifesting an interaction with other business segments.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Group attaches great importance to corporate governance to ensure shareholders' rights and interests are protected. It also fulfills its corporate social responsibility by contributing to the common good. During the year, the Group actively participated in various charitable and community events. To fulfill its corporate social responsibility and enhance social care, the Group participated in community activities and charitable courses and encourages staff participation. During the year, the Group participated in Green Power Hike to raise funds for environmental education. In addition, it also answered the Red Cross's call for blood donation and participated in volunteer work for children in need organized by Ronald McDonald House.

BUSINESS OUTLOOK

Hong Kong's retail sector is expected to ride on a growth trend in 2013 as recovery of the global economy begins to take shape and Mainland China's steady economic growth continues. Chinese citizens' wealth is growing, and the continuing enthusiasm of Mainland Chinese about visiting Hong Kong will bode good days ahead for the city's consumption sectors.

As in past several years, we will continue to enhance and optimize our property portfolio by refurbishing our hotels, shopping centres and office building in order to boost occupancy and room rates further, and strengthen our newly developed Business lines. In addition, the Group has high liquidity and a vibrant and dynamic management team. We are fully prepared to lead the company towards new developments and strive to deliver sustainable healthy returns to our shareholders.

ACKNOWLEDGEMENT

I would like to thank the fellow members of the Board of Directors and all the staff for their strong support and valuable contributions over the past years. Let us continue to work together for a better future.

LEE SHAU KEE
Chairman

Hong Kong, 19 March 2013

Leveraging our businesses for a profitable future

Riding on Miramar's solid foundation of the past five and a half decades, we are developing new business growth drivers on top of existing recurring income streams from the hotel and property rental businesses.

The Group continues to strengthen its five lifestyle businesses and enhancing their synergy through a series of measures, with a view to improving profit margins. We begin with our core businesses of hotel and property rental by renovating commercial properties and refining practices of hotel management to drive operational efficiency and excellence. Our food and beverage business innovated different contemporary styles of dining with a multi-brand strategy to cater to diverse palettes. Our success in attracting more long-haul visitors in our travel business boosted the businesses of our hotels, shopping malls and restaurants. We have also set our sights on a huge retail market in Mainland China through our apparel retail businesses.

Overall, most of the business segments made satisfactory progress.

Hotel and Serviced Apartment Business

The Hotel and Serviced Apartment business benefited from the surge in visitor arrivals to Hong Kong in 2012. The Group's flagship hotel in Tsim Sha Tsui, The Mira Hong Kong, recorded an average occupancy rate of 84% in 2012, compared with 83% in 2011. The average room rate rose by approximately 9%. EBITDA (earnings before interest, taxes, depreciation and amortization) grew 13% to approximately HK$233,600,000.

A new designer lifestyle hotel under the Group's management, Mira Moon, is scheduled to open in Wan Chai during the summer of 2013. This hotel will provide approximately 90 guest rooms. Situated in a popular tourist spot on Hong Kong Island, Mira Moon will be a stylish abode to enjoy Wan Chai's rich cultural heritage and metropolitan trends as well as convenient transportation. The hotel will feature hallmark traits of "The Mira" brand including quality services and chic interior design. The Group believes Mira Moon will be well-positioned to capitalize on the strong demand for hotel rooms which has been outpacing local supply in recent years.

Strong growth in tourist arrivals boosted profit

Property Rental Business

The Group owns a prestigious portfolio of commercial properties in Hong Kong and Mainland China, among them are two shopping centres and an office tower situated in the prime commercial district of Tsim Sha Tsui. The completion of a series of optimisation and enhancement projects have lifted occupancy rates and rental income of these commercial properties, as well as boosting their asset value.

New look bolstered occupancy rates and rental income

Miramar Shopping Centre ("MSC")

The renovated MSC projects a new and dynamic image, which attracted international and popular brand names of trendy and luxury goods as tenants. The Group conducted targeted marketing and strategic promotional campaigns to enhance the mall's image. Such activities paid off and boosted both occupancy rate and average unit rate. As at the end of 2012, occupancy rate of MSC was approximately 99% and the average unit rate rose by 7% year-on-year.

MSC tenants consist of world-renowned, upscale fashion brands such as DKNY, agnes b, American Eagle Outfitters, A|X Armani Exchange, Calvin Klein, DKNY Jeans, D-mop, i.t., Samsonite and Vivienne Westwood. MSC also houses restaurants that serve diverse delicacies, ranging from Chinese, Japanese, Korean to Italian, offering a culinary destination of tasteful options.

MSC received its first CAPITAL Outstanding Green Excellence Award 2012, which was published in Capital Magazine in January 2013.

Mira Mall

Mira Mall, the shopping centre at The Mira Hong Kong, increased the exposure of "The Mira" brand in the heart of Tsim Sha Tsui when it unveiled its new face in a grand opening in the fourth quarter of 2012. Reshaped into a magnet for the young generation and affluent customers, the shopping mall features duplex stores of international and popular flagship brands fronting the busy Nathan Road. On its current list of tenants are renowned high-end luxury brands such as Coach (flagship), Tommy Hilfiger, collect point, King Fook Jewellery, and twist. The addition of new tenants brought forth rental income growth. As at the end of 2012, occupancy rate of Mira Mall was approximately 99%.

Miramar Tower ("MT")

During 2012, MT's rental income recorded satisfactory growth against the backdrop of strong demand for Grade A office space in Tsim Sha Tsui. MT's refreshing look, following its renovation in 2011, and continued provision of outstanding management services attracted high-quality, local and international corporate tenants. As at the end of 2012, occupancy rate of MT was approximately 99%, while the average unit rate increased by 4% year-on-year.


miramal
twist

Food and Beverage Business

The Group adopts a multi-brand strategy for its Food and Beverage Business to promote the concept of contemporary dining with a diverse spectrum of cuisines and restaurant choices.

The wide selection includes Chinese restaurants of Tsui Hang Village, Yunyan Sichuan Restaurant and Cuisine Cuisine (a high-end Michelin-Star-rated Chinese restaurant), The French Window (a French brasserie), Assaggio Trattoria Italiana, and Japanese restaurants of Hide-Chan Ramen (a popular Japanese Ramen restaurant), Saboten (a traditional Japanese pork cutlet restaurant) and its latest endeavour, a newly-opened Japanese Izakaya, Zanzo.

The Group opened two Cuisine Cuisine restaurants in Beijing and Wuhan catering to an appetite for high-end Chinese cuisine.

Strengthening our foothold through quality brands

Travel Business

The Group's Travel business resumed growth momentum with an increase of 6% in turnover to HK$1,119,800,000 in 2012, following a challenging operating environment in 2011. Its strategy to attract more long-haul visitors and expand market share were key growth drivers. The Group's mass-market tour business enjoyed growth and contributed considerably to the Group's revenue. Segment EBITDA rose by 40% to HK$35,500,000 in 2012. The Group will step up its effort in advertising and promotion and continue to develop the long-haul tour segment.

Apparel Business

The Group extended its footing to growing opportunities across the border and diversified into the apparel business in 2011. The Group set up directly-managed DKNY Jeans retail stores in Shanghai and Beijing. It had a network of franchised stores in major cities across Mainland China by the end of 2012. Although Mainland China's slowing economic growth affected the retail sector, the Group will continue to enhance its distribution network with the aim to build its Apparel retailing into a solid business.


the mira
HONG KONG

Business Outlook

Amidst uncertainties over the global economic recovery, it is expected that the momentum of Mainland China's economic growth will continue. Chinese people's rising income and the continuing enthusiasm of Mainland Chinese about visiting Hong Kong bode well for Hong Kong's retail and tourism sectors. The Group's core businesses are well-positioned to benefit from these favorable macroeconomic conditions.

We continue to enhance the quality of services offered by our hotel business. The Group's commercial properties have been enhanced through successful optimisation in recent years, particularly the Miramar Tower and Mira Mall. This move has bolstered their occupancy rates and rental rates and optimized tenant mix on a rolling basis. We will carefully evaluate new growth and acquisition opportunities to further drive the growth of the hotel and property rental business.

Under the leadership of an experienced management team and a well-defined road map for future growth, the Group will fully capitalize on market opportunities and continue to enhance its lifestyle business portfolio to generate sustainable returns.

LEE KA SHING
CEO

Hong Kong, 19 March 2013

Award Recognition

GROUP

- Excellence in Learning & Development Award 2012, Hong Kong Institute of Human Resources Management
- Grand Prize Award 2011-12, Manpower Developer Award Scheme, Employees Retraining Board

HOTEL & SERVICED APARTMENT

The Mira Hong Kong

- Recommended Hotel, Michelin Guide Hong Kong & Macau 2013

PROPERTY RENTAL

Miramar Shopping Centre and Miramar Tower

- Indoor Air Quality Certificate (Good Class) – "Miramar Shopping Centre" , Environmental Protection Department
- Indoor Air Quality Certificate (Excellent Class) – "Miramar Tower", Environmental Protection Department
- Capital Outstanding Green Excellence Award 2012 – Green Enterprise, Capital Magazine
- Kowloon West Best Security Services Award – Best Managed Property 2011, Kowloon West Regional Crime Prevention Office

TRAVEL

Miramar Travel & Miramar Express

- Capital Best of the Best Travel Agency Award 2012, Capital Magazine

FOOD & BEVERAGE

Assaggio Trattoria Italiana

- Recommended Restaurant, Michelin Guide Hong Kong & Macau 2013
- Ospitalità Italiana, Italian Chamber of Commerce
- Hong Kong's Best Restaurants 2013, Hong Kong Tatler Dining

Cuisine Cuisine — Hong Kong

- 1-Star Restaurant, Michelin Guide Hong Kong & Macau 2013
- Hong Kong's Best Restaurants 2010 - 2013, Hong Kong Tatler Dining

Cuisine Cuisine — Mainland

- Best Hong Kong Style Cantonese Cuisine and Banquet, 2012 BOSS Most Influential Companies Award, BOSS STYLE magazine (Wuhan)
- Best Chinese Fine Dining Merit Award, Time Out Beijing Food Awards 2012 (Beijing)
- Best New Arrival, Hurun Best of the Best Awards 2012 (Beijing)

Hide-Chan Ramen

- Recommended Bib Gourmand Restaurant, Michelin Guide Hong Kong & Macau 2013

Room One

- Hong Kong's Best Bars 2012-2013, Hong Kong Tatler Dining

Saboten Japanese Cutlet

- Best Ever Japanese Food, Best Ever Dining Award 2012, Weekend Weekly

Tsui Hang Village

- Recommended Restaurant, Michelin Guide Hong Kong & Macau 2013
- Hong Kong's Best Restaurants 2010 - 2013, Hong Kong Tatler Dining

Vibes

- Hong Kong's Best Bars 2013, Hong Kong Tatler Dining

Whisk

- Recommended Restaurant, Michelin Guide Hong Kong & Macau 2013
- Best Hotel Restaurant of the Week, Restaurant Week 2013
- Hong Kong's Best Restaurants 2012 - 2013, Hong Kong Tatler Dining

Yamm

- Hong Kong's Best Restaurants 2012 - 2013, Hong Kong Tatler Dining

Yunyan Sichuan Restaurant

- Hong Kong's Best Restaurants 2009 - 2013, Hong Kong Tatler Dining

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Aged 84. Dr Lee was appointed director of the Company in 1993 and has been the Chairman of the Company since 8 August 2001. He has been engaged in property development in Hong Kong for more than 55 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"), the Chairman of The Hong Kong and China Gas Company Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He is also an independent non-executive director of The Bank of East Asia, Limited but will retire from such directorship on 24 April 2013. All the above companies are listed companies. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Multiglade Holdings Limited ("Multiglade"), Higgins Holdings Limited ("Higgins"), Threadwell Limited ("Threadwell"), Aynbury Investments Limited ("Aynbury"), Henderson Land, Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Riddick (Cayman) Limited ("Riddick") and Rimmer (Cayman) Limited ("Rimmer") which have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012. He is the father of Mr Lee Ka Shing.

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

Aged 83. Dr Sin was appointed director of the Company in 1974 and has been a Vice Chairman of the Company since 1985. He is currently a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Dr Sin has a plenitude of experience in the businesses of jewelry, property development, property rental, hotel operation, and banking and finance. He is the Chairman of Myer Jewelry Manufacturer Limited. He was previously a director of Hang Seng Bank Limited and New World Development Company Limited. He is also a director of certain subsidiaries of the Company.

Mr LEE Ka Shing

Aged 41. Mr Lee was appointed director of the Company in 2004 and has been actively involved in formulating the Group's corporate development strategies and directions. On 1 August 2006, he was appointed as Managing Director of the Company, with the title changed to Chief Executive Officer on 7 June 2012. He has been in charge of corporate policy formulation and schematization, as well as promoting the Group's business development and enhancing its competitiveness and status in the industry. He was educated in Canada. He is the Vice Chairman of Henderson Land, Henderson Investment and a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is also a Vice Chairman of Henderson Development. Mr Lee is a Member of the Tenth Guangxi Zhuangzu Zizhiqu Committee of the Chinese People's Political Consultative Conference and a Member of the Tenth Foshan Committee of the Chinese People's Political Consultative Conference. Henderson Land and Henderson Development have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012. He is also a director of certain subsidiaries of the Company. He is the son of Dr Lee Shau Kee.

Dr Patrick FUNG Yuk Bun

Aged 65. Dr Fung was appointed director of the Company in 1985. He obtained his MBA degree from University of Toronto in 1973, and was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2001 and an Honorary Doctor of Laws by the University of Toronto in 2005. Dr Fung joined Wing Hang Bank in 1976 and was appointed Director in 1980. He was appointed Chief Executive of the Bank in 1992, and then Chairman and Chief Executive in April 1996.

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

Mr Dominic CHENG Ka On

Aged 63. Mr Cheng was appointed director of the Company in 1985. He is currently a member of the Audit Committee of the Company. Mr Cheng has extensive practical experience in corporate management and is also an executive director of King Fook Holdings Limited and the Managing Director of the Onflo International Group of Companies. He is also a director of certain subsidiaries of the Company.

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

Aged 60. Mr Tang was appointed director of the Company in 1986. He is an MBA graduate from the University of Santa Clara, California, U.S.A., and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, U.S.A. He is currently the Chairman and Managing Director of Richcom Company Limited, Vice Chairman of King Fook Holdings Limited, an independent non-executive director of Hang Seng Bank Limited and Wheelock and Company Limited and a director of various private business enterprises. He is an Advisor of Tang Shiu Kin and Ho Tim Charitable Fund. He is also a director of certain subsidiaries of the Company.

Mr Colin LAM Ko Yin, *FCILT, FHKIoD*

Aged 61. Mr Lam was appointed director of the Company in 1993. He holds a Bachelor of Science (Honours) degree from the University of Hong Kong and has over 39 years' experience in banking and property development. He has stepped down as a member of the Court of The University of Hong Kong with effect from 12 December 2012. He is a Director of The University of Hong Kong Foundation for Educational Development and Research Limited and a Director of Fudan University Education Development Foundation. Mr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited, the Vice Chairman of Henderson Land and Henderson Investment as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. Mr Lam is a director of Henderson Development, Multiglade, Higgins, Threadwell, Aynbury, Hopkins, Riddick and Rimmer. Multiglade, Higgins, Threadwell, Aynbury, Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012. He is also a director of certain subsidiaries of the Company.

Mr Eddie LAU Yum Chuen

Aged 66. Mr Lau was appointed director of the Company in 1996. He has over 40 years' experience in banking, finance and investment. He is also an executive director of Henderson Land as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited, both of which are listed companies. He previously served as an executive director of Henderson Investment, a listed company, until his retirement on 9 June 2011. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012. He is also a director of certain subsidiaries of the Company.

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

Aged 57. Mr Ho was appointed director of the Company in 1998. He is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 31 years' experience in management and property development. He is also a director of Vision Values Holdings Limited, as well as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited. He was previously a director of CITIC Pacific Limited. He is also a director of certain subsidiaries of the Company.

Mr Howard YEUNG Ping Leung

Aged 56. Mr Yeung was appointed director of the Company in 2000 and was re-designated as independent non-executive director of the Company in December 2012. He has extensive experience in the businesses of property development, hotel operation and jewelry. He is also a director and the Chairman of King Fook Holdings Limited and an independent non-executive director of New World Development Company Limited.

Mr Thomas LIANG Cheung Biu, *BA, MBA*

Aged 66. Mr Liang was appointed director of the Company in 2004 and was re-designated as independent non-executive director of the Company in December 2012. He holds a Bachelor degree in Economics from the University of California, Berkeley and a Master degree in Business Administration from Columbia University. Mr Liang has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. He is also the Group Chief Executive of Wideland Investors Limited and an independent non-executive director of New World Development Company Limited.

Mr WU King Cheong, *BBS, JP*

Aged 62. Mr Wu was appointed as an independent non-executive director of the Company in 2005. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Ltd. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Land, Henderson Investment and Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. Mr Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed company, until 27 October 2011. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012.

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

Aged 66. Mr Au was appointed as an independent non-executive director on 17 January 2005 and re-designated as a non-executive director of the Company on 7 November 2005. Mr Au is a well-known banker in Hong Kong and has more than 32 years' experience in local and international banking business, having been the Chief Executive of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He is currently an independent non-executive director of Henderson Land (as re-designated on 18 December 2012) and The Wharf (Holdings) Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of the Hong Kong University of Science and Technology. Mr Au previously served as an independent non-executive director of Wheelock and Company Limited, a listed company, until 22 October 2012. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012 .

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

Aged 61. Dr Chung was appointed as an independent non-executive director of the Company in 2006. Dr Chung obtained a bachelor's degree in science from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong, and was awarded a Doctor of Social Sciences honoris causa by the City University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He is a member of the National Committee of the 10th, 11th and 12th Chinese People's Political Consultative Conference. Currently, Dr Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited and Henderson Land, all of which are listed on The Stock Exchange of Hong Kong Limited. He is also an independent director of China State Construction Engineering Corporation Limited, listed on the Shanghai Stock Exchange. Formerly, Dr Chung was the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. He was previously an independent director of China Everbright Bank Company Limited (listed on the Shanghai Stock Exchange) and an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, Tai Shing International (Holdings) Limited and Nine Dragons Paper (Holdings) Limited. He was also, formerly, the Managing Director of Hantec Investment Holdings Limited and an executive director and the Chief Executive Officer of Shimao International Holdings Limited. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2012.

SENIOR MANAGEMENT

Mr Felix SEE Chi Kwok

Aged 43. Mr See joined the Group in May 2012 as Chief Operations Officer. He holds a Bachelor's Degree from the University of Hong Kong and a Master's Degree in Business Administration from the Hong Kong University of Science and Technology. Mr See is a seasoned executive and has more than 20 years' experience in the information technology industry, having held various senior management positions within Hewlett-Packard in the Greater China region, with responsibilities covering sales, business development and general management. Mr See has a proven track record in business turnarounds and possesses strong ability to manage sizable companies. He addresses both short-term performance and long-term sustainability of a company through the cultivation of performance culture and the establishment of an effective organization. He has extensive experience in charting future strategies of a company to fuel business growth, and has strong network with executives in Hong Kong, China and Taiwan. Prior to joining the Group, Mr See was Executive Director and Deputy Chief Executive Officer of Tradelink Electronic Commerce Limited.

Mr Allen LIM Kean Kee

Aged 52. Mr Lim joined the Group in May 2012 as Chief Financial Officer. He holds a Master of Business Administration from the Brunel University/Henley Management College, U.K. and is a Fellow of The Chartered Institute of Management Accountants, U.K. Mr Lim has over 30 years of experience working closely with senior business leaders to achieve strategic, business and financial objectives in the Asia Pacific region; transforming finance to value creation function; leading mergers and acquisitions, due diligence and investment projects; and enhancing operational and process efficiency. Mr Lim joined the Group from HSBC Bank, where he was the Head of Management Information, Planning and Analysis covering all HSBC businesses in Hong Kong, and was the Asia Pacific Chief Financial Officer of HSBC Asset Management. During the earlier part of his career, he was with American Express, National Australia Bank and spent some time as a management consultant.

Mr Patrick CHEANG Kwok Kee

Aged 44. Mr Cheang joined the Group in November 2012 as Director of Internal Audit. He holds a Bachelor's Degree in Finance from The University of Hong Kong and Diploma of Business Law from the University of Shenzhen. Mr Cheang has over 15 years of auditing and risk management expertise with extensive experience in property related areas. Prior to joining the Group, Mr Cheang worked at The Link Management Limited as Head of Risk Management & Compliance and Head of Internal Audit and before that, he was the Supervising Consultant (Group Audit) for Jardine Matheson Limited.

Mr Clement WU Kim Man

Aged 44. Mr Wu joined the Group in November 2012 as Business Unit Head of Asset Management. He is a Registered Professional Surveyor and Authorized Person in Hong Kong, and holds a Master of Business Administration (Financial Services) from The Hong Kong Polytechnic University. He is also a Member of the Chartered Institute of Arbitrators in U.K., a Panel Member of Appeal Tribunal (Buildings) in Hong Kong and a Registered BEAM Professional of Hong Kong Green Building Council. Mr Wu has over 20 years of experience in the property and construction industry with expertise in asset enhancement. He has managed a number of large scale major renovations and value-added projects across both residential and commercial sectors in Hong Kong. Prior to joining the Group, Mr Wu was the General Manager (Project and Planning Department) of The Link Management Limited.

Mr Kenneth SORENSEN

Aged 47. Mr Sorensen joined the Group in November 2012 as Business Unit Head of Hotels and Serviced Apartments. A Danish national and holding a Degree in Hospitality Management from EHL in Lausanne, Mr Sorensen is a well-traveled multi-cultural seasoned executive with more than 25 years of sales, marketing, business development, operations, asset management and general management experiences, the last 15 in the Asia Pacific region. He has held key leadership roles in the main disciplines of the hospitality industry. Prior to joining the Group, he was at the helm of Onyx Hospitality Group – North Asia.

Mr Martin CHUNG Shui Ming

Aged 48. Mr Chung joined the Group in April 2010 as General Manager of The Mira Hong Kong. In May 2012 he was appointed as Business Unit Head of Food and Beverage. He holds a Bachelor's Degree in Hospitality Management from the University of Lausanne and a Bachelor's Degree in Business Administration from La Neuveville, Switzerland. Mr Chung has over 20 years of experience in hospitality management spanning Asia, Europe and the Middle East, specialising in food and beverage. Prior to joining the Group, he was Senior Vice-President (Food and Beverage) of Atlantis, The Palm Dubai.

Ms Rita MAN Miu Chu

Aged 45. Ms Man joined the Group in December 2012 as Business Unit Head of Apparel. She graduated from Lingnan University with a major in Marketing and holds a professional recognition from the Chartered Institute of Marketing, U.K. Ms Man has over 20 years of first-hand retail experience dedicated to fashion and apparel and has held various senior management positions in some of the most notable retailers. She has extensive experience in working with international business leaders on developing and delivering growth strategies and optimising the local organisation for multinational companies in China, and has lately been focusing on both physical and virtual retail across different segment from lifestyle to luxury. Prior to joining the Group, Ms Man was the Country Manager of Yoox Group in China, and Director for Yoox Asia.

Ms Amy LEE Mei Yee

Aged 44. Ms Lee joined the Group in January 2013 as Director of Group Marketing & Corporate Communication. Ms Lee's rich marketing experience has centered around creating, sustaining and rejuvenating brands. Her experience in the property and lifestyle industry was well advanced with her involvement in precinct creation, new visual identity design, repositioning, marketing and launch of the many premium commercial complexes and malls of Swire Properties in China and Hong Kong.

Mr Anthony HO Wai Cheong

Aged 43. Mr Ho joined the Group in December 2012 as Director of Group Information Technology. He holds a Bachelor's Degree in Computer Engineering and a Master of Business Administration from The University of Hong Kong. Mr Ho has more than 20 years of experience in the information technology industry. He has held various leadership positions in global & local companies in the field and has a great depth of technical and management knowledge especially in project management and management of change. He is also well experienced in IT strategies and operations, and partnering with business units to provide online customer service and support. Prior to joining the Group, Mr Ho was the Chief Information Officer of Tradelink Electronic Commerce Limited.

Mr Mike CHAN Tin Fun

Aged 48. Mr Chan joined the Group in April 2009 as Director of Group Procurement. He holds a Bachelor of Arts (Hons) Degree in Hospitality and Tourism Management from University of Birmingham; a Diploma in Marketing and International Business; and a Diploma in Company Management, both from the Chinese University of Hong Kong. Mr Chan has extensive experience in the field, having worked at various reputable companies in Asia Pacific, China and Hong Kong – including but not limited to Shangri-la, Ritz Carlton Group, Walt Disney, and Hong Kong Jockey Club.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. During the year ended 31 December 2012, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than code provision A.6.7 of the CG code.

In respect of code provision A.6.7 of the CG Code, all non-executive directors (including independent non-executive directors) attended the annual general meeting of the Company held on 7 June 2012 except one non-executive director and one independent non-executive director due to other business engagement.

BOARD OF DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee
Mr Tony NG (retired on 7 June 2012)

Independent Non-executive Directors:

Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung (re-designated on 6 December 2012)
Mr Thomas LIANG Cheung Biu (re-designated on 6 December 2012)

During the year ended 31 December 2012, Mr Tony Ng retired as director at the closure of the 2012 Annual General Meeting while Mr Howard Yeung Ping Leung and Mr Thomas Liang Cheung Biu, previously non-executive directors of the Company, have been re-designated as independent non-executive directors of the Company with effect from 6 December 2012.

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

All the non-executive directors (including independent non-executive directors) of the Company have been appointed for a term of not more than three years. The terms of Mr Dominic Cheng Ka On, Mr Wu King Cheong and Mr Alexander Au Siu Kee are up to 31 December 2013; Dr David Sin Wai Kin, Mr Thomas Liang Cheung Biu, Dr Timpson Chung Shui Ming and Mr Howard Yeung Ping Leung up to 31 December 2014; Dr Patrick Fung Yuk Bun up to 31 December 2015; and all are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

The Board has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive directors are independent. Notwithstanding (i) Mr Howard Yeung Ping Leung and Mr Thomas Liang Cheung Biu have been non-executive directors of the Company prior to their re-designation as independent non-executive directors on 6 December 2012; (ii) Mr Howard Yeung Ping Leung is a brother-in-law of Mr Tony Ng, who was also a non-executive director of the Company until his retirement from that position with effect from 7 June 2012; (iii) Mr Howard Yeung Ping Leung is indirectly interested in certain subsidiaries of the Company; and (iv) Mr Howard Yeung Ping Leung has minority interests in the business of the Company, the Board is of the view that they are independent since they did not take part in the day-to-day management or perform any management role or executive function in the Company or any of its subsidiaries before the re-designation. The Board is also of the view that Mr Howard Yeung Ping Leung is independent because (a) the family relationship between Mr. Yeung and Mr Tony Ng is not justified as if it were in the closer relationship caught by Rule 3.13(6) of the Listing Rules; (b) Mr Yeung is only indirectly interested in an insignificant minority stake in certain subsidiaries of the Company and (c) Mr Yeung does not have material interest in any principal business activity of the Company or being involved in any material business dealings with the Company that would fall within the ambit of Rule 3.13(4) of the Listing Rules.

In accordance with Articles 77, 78 and 79 of the Company's Articles of Association, Dr Lee Shau Kee, Dr David Sin Wai Kin, Mr Dominic Cheng Ka On, Mr Eddie Lau Yum Chuen and Mr Thomas Liang Cheung Biu shall retire by rotation at the forthcoming 2013 Annual General Meeting and, being eligible, have offered themselves for re-election. The Nomination Committee has also recommended to the Board that they are eligible for re-election.

Dr David Sin Wai Kin has served as independent non-executive director for more than nine years. As an independent non-executive director with extensive experience and knowledge, Dr Sin has been providing objective and independent views to the Company over the years, and he remains committed to his independent role. The Board concurs with the view of the Nomination Committee that the long service of Dr Sin would not affect his exercise of independent judgement and is satisfied that Dr Sin has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director, and the Board thus recommends Dr Sin for re-election at the 2013 Annual General Meeting.

The roles undertaken by Dr Lee Shau Kee as Chairman of the Company and Mr Lee Ka Shing as Chief Executive Officer are segregated.

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

1. Major acquisitions and disposals, and joint ventures;

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

3. Annual budgets, and business and financial plans;

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

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

6. Public announcements as required under the Listing Rules.

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

CORPORATE GOVERNANCE FUNCTION

The Board has undertaken the following corporate governance functions:

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

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

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

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

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

GENERAL PURPOSE COMMITTEE

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

REMUNERATION COMMITTEE

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

The Remuneration Committee meets at least once a year to review the structure of remunerations for directors and senior management with reference to the skill, knowledge, experience, responsibilities, individual performance and the overall profitability of the Company. The Remuneration Committee regards that the remunerations offered to the directors and senior management are appropriate for their duties and in line with market practice. No director would be involved in deciding his own remunerations. The Board has delegated responsibility to the Remuneration Committee to determine the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights, compensation payments and compensation payable for loss or termination of their office or appointment.

AUDIT COMMITTEE

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

The Audit Committee met four times during the year ended 31 December 2012. The major work performed by the Audit Committee included reviewing the Group's internal controls, internal audit reports, audit plans, annual reports, interim reports, financial statements, connected transactions, approving the remunerations and terms of engagement of the external auditors and making recommendation to the Board on the re-appointment of auditors.

NOMINATION COMMITTEE

During the year ended 31 December 2012, the Company has established a Nomination Committee which comprises five members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and two are executive directors, namely Dr Lee Shau Kee and Mr Lee Ka Shing. Dr Lee Shau Kee is the Chairman of the Nomination Committee.

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

The Nomination Committee has discussed and reviewed the composition of the Board; assessed the independence of all independent non-executive directors; recommended to the Board for approval of the re-designation of two non-executive directors to independent non-executive directors and the re-election of all the retiring Directors at the forthcoming 2013 Annual General Meeting.

ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board, the Committees and the Company during the year ended 31 December 2012 and the attendance of directors are set out in the table below:

	Meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2012 Annual General Meeting**
Executive Directors					
Dr LEE Shau Kee	4/4	N/A	1/1	1/1	1/1
Mr LEE Ka Shing	4/4	N/A	N/A	1/1	1/1
Mr Richard TANG Yat Sun	4/4	N/A	1/1	N/A	1/1
Mr Colin LAM Ko Yin	4/4	N/A	N/A	N/A	1/1
Mr Eddie LAU Yum Chuen	4/4	N/A	N/A	N/A	1/1
Mr Norman HO Hau Chong	3/4	N/A	N/A	N/A	0/1
Non-executive Directors					
Dr Patrick FUNG Yuk Bun	2/4	3/4	N/A	N/A	0/1
Mr Dominic CHENG Ka On	4/4	4/4	N/A	N/A	1/1
Mr Alexander AU Siu Kee	4/4	N/A	N/A	N/A	1/1
Mr Tony NG (retired on 7 June 2012)	0/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Dr David SIN Wai Kin	4/4	4/4	1/1	1/1	1/1
Mr WU King Cheong	4/4	4/4	1/1	1/1	1/1
Dr Timpson CHUNG Shui Ming	3/4	4/4	1/1	1/1	0/1
Mr Howard YEUNG Ping Leung (re-designated on 6 December 2012)	4/4	N/A	N/A	N/A	1/1
Mr Thomas LIANG Cheung Biu (re-designated on 6 December 2012)	4/4	N/A	N/A	N/A	1/1

DIRECTORS' TRAINING

During the year ended 31 December 2012, the directors have participated in continuous professional development to develop and refresh their knowledge and skills in the following manner:

Directors	Type of trainings
Executive Directors	
Dr LEE Shau Kee	A, B
Mr LEE Ka Shing	A, B
Mr Richard TANG Yat Sun	A, B
Mr Colin LAM Ko Yin	A, B
Mr Eddie LAU Yum Chuen	A, B
Mr Norman HO Hau Chong	A, B
Non-Executive Directors	
Dr Patrick FUNG Yuk Bun	A, B
Mr Dominic CHENG Ka On	A, B
Mr Alexander AU Siu Kee	A, B
Mr Tony NG (retired on 7 June 2012)	B
Independent Non-Executive Directors	
Dr David SIN Wai Kin	B
Mr WU King Cheong	A, B
Dr Timpson CHUNG Shui Ming	A, B
Mr Howard YEUNG Ping Leung (re-designated on 6 December 2012)	A, B
Mr Thomas LIANG Cheung Biu (re-designated on 6 December 2012)	A, B

A: attending seminars and/or conferences and/or forums
B: reading materials relevant to the directors' duties and responsibilities

AUDITORS' REMUNERATION

During the year ended 31 December 2012, the fees (before out-of-pocket expenses) paid/payable to the Company's auditors, KPMG, for the provision of audit services and non-audit services are as follows:

	Remuneration *HK$'000*
Audit services	4,209
Non-audit services:	
Interim review	370
Other services	31
	4,610

ACCOUNTABILITY AND AUDIT

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

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 65 to 66 of this Annual Report.

INTERNAL CONTROL

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

During the year under review, internal audit was undertaken to provide the management with assurance that its business operations and management practices complied with international and professional standards. With reference to the COSO (The Committee of Sponsoring Organisations of the Treadway Commission) internal control framework, the Company has conducted an assessment of the internal controls system against the five elements of COSO, namely control environment, risk assessment, control activities, information & communication and monitoring.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting risk-based audits on the major operating activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2012 and discussed with the internal auditor and independent auditors matters on auditing, internal control and financial report of the Group.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

COMMUNICATION WITH SHAREHOLDERS

During the year ended 31 December 2012, the Board has adopted a Shareholders Communication Policy reflecting mostly the current practices of the Company for communication with its shareholders. Such policy is to promote effective communication with shareholders of the Company and enable them to exercise their rights as shareholders in an informed manner and to furnish the investment community with equal and timely access to information about the Company. It will be updated in response to any subsequent changes in internal structure, regulatory and market developments.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.miramar-group.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website and the Memorandum and Articles of Association of the Company is made available on the respective websites of the Stock Exchange and the Company;

(iv) Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's Share Registrar serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

SHAREHOLDERS' RIGHTS

(a) Procedures for shareholders to convene an EGM

Pursuant to Section 113 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("EGM Requisitionists") can deposit a written request to convene an EGM at the Company's registered office, which is situated at 15/F, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong for the attention of the Company Secretary.

The requisition must state the objects of the EGM, and must be signed by all the EGM Requisitionists, and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

Provided that such requisition is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the shareholders in accordance with all the relevant statutory and regulatory requirements.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. All reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

(b) Procedures for shareholders to put forward proposals at a general meeting

Pursuant to Section 115A of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, either any number of the shareholders holding not less than one-fortieth (2.5%) of the total voting rights of all shareholders ("Requisitionists"), or not less than 50 shareholders holding shares on which there has been paid up an average sum, per shareholder, of not less than HK$2,000 can request the Company in writing to (i) give to the shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (ii) circulate to the shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Company's registered office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof. The procedure for shareholders to propose a person for election as a Director is posted on the Company's website.

(c) Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

15/F, Miramar Tower
132 Nathan Road
Kowloon, Hong Kong
Fax: (852) 2736 4975
Email: IR@miramar-group.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2012, there are no changes in the Company's constitutional documents.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2012 are set out in note 10 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

At 31 December 2012, none of the directors, their associates or shareholders who, to the knowledge of the directors, own more than 5% of the Company's share capital, had an interest in any of the five largest customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 67 to 148.

An interim dividend of 16 Hong Kong cents per share (2011: 15 Hong Kong cents per share) was paid on 18 October 2012. The directors now recommend the payment of a final dividend of 25 Hong Kong cents per share (2011: 23 Hong Kong cents per share) in respect of the year ended 31 December 2012, totalling HK$236,665,000.

CHARITABLE DONATIONS

Donations made by the Group during the year ended 31 December 2012 amounted to HK$44,046 (2011: HK$33,146).

FIXED ASSETS

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

DIRECTORS

The directors who held office during the year ended 31 December 2012 and up to the date of this report were:

Executive Directors:

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

Non-executive Directors:

Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee
Mr Tony NG (retired on 7 June 2012)

Independent Non-executive Directors:

Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung (re-designated on 6 December 2012)
Mr Thomas LIANG Cheung Biu (re-designated on 6 December 2012)

In accordance with Articles 77, 78 and 79 of the Company's Articles of Association, Dr Lee Shau Kee, Dr David Sin Wai Kin, Mr Dominic Cheng Ka On, Mr Eddie Lau Yum Chuen and Mr Thomas Liang Cheung Biu shall retire by rotation at the forthcoming 2013 Annual General Meeting and, being eligible, have offered themselves for re-election. The Nomination Committee has also recommended to the Board that they are eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming 2013 Annual General Meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

DISCLOSURE OF INTERESTS

Directors' interests in shares

At 31 December 2012, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

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

Save as disclosed above, at 31 December 2012, none of the directors or the chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the year ended 31 December 2012 was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders and others

The Company has been notified of the following interests in the Company's issued shares at 31 December 2012, amounting to 5% or more of the shares in issue:

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

Save as disclosed above, at 31 December 2012, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Notes:

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

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

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

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

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

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

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

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

DIRECTORS' AND MANAGEMENT EMOLUMENTS

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

CONTINUING CONNECTED TRANSACTIONS

The Group has the following continuing connected transactions during the year ended 31 December 2012:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Premises	:	Units 1803, 1804-06, 1807 and 1812, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1803-07 and 1812 Premises").
Term	:	Three years commencing from 1 February 2010 to 31 January 2013.
Rent and other charges	:	The total rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$361,000.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$64,247.90; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	Three months commencing from 1 February 2010 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1803-07 and 1812 Premises.

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

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

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

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

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

Details of the 1801-02 Lease

Premises	:	Units 1801-02, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1801-02 Premises").
Term	:	Three years commencing from 1 June 2010 to 31 May 2013.

Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$130,000.00; and The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$24,424.00.
Sublet	:	The tenant shall have the right to sublet a part of the Miramar Tower 1801-02 Premises during the term to Paragon Clinic Limited, which is a third party (not being a connected person of the Company).

Details of the 1808 and 1813 Lease

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

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

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

* For identification only

Premises	:	Unit Nos. 201, 202, 203, 204 and 205 on Level Two of West Tower, World Financial Centre, No. 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, the People's Republic of China ("PRC"), of approximately 2,688.45 square meter (the "wfc Premises").
Term	:	Initial term of three years commencing from 15 November 2010 with a first option (the "1st Option") exercisable by the Tenant at the expiry of the initial lease period on 14 November 2013 to renew the lease at the wfc Premises for three years, and a second option exercisable by the Tenant to renew the lease of the wfc Premises for a further two years if the 1st Option is exercised by the Tenant.
Rent and other charges	:	The rent payable on monthly basis (exclusive of management fee and other related charges) during the term is the basic rent with reference to the net area of the wfc Premises at the rate of RMB130 (approximately HK$149.40) per square meter together with turnover rent representing the amount by which 7% of the gross turnover before tax per month derived from the business conducted at the wfc Premises (excluding 10% service charge, discounts and/or other rebates) exceeds the basic rent per month (the "Turnover Rent"); Notwithstanding the above, it is however provided that for the period from the date of commencement of the initial term and prior to the date before the leasing rate of the office space at the World Financial Centre having reached 50%, the basic rent payable per month for the wfc Premises shall only be at a basic rent calculated at the rate of RMB65 (approximately HK$74.70) per square meter per month and no Turnover Rent shall be required to be paid during such period. Upon the leasing rate having reached 50%, the rent payable per month shall revert to the basis as mentioned in the foregoing paragraph; and Management fee (exclusive of promotional levy) payable on monthly basis during the term is at the rate of RMB50 (approximately HK$57.47) per square meter with reference to the net area of the wfc Premises (subject to review from time to time by the Landlord or the property management company appointed by the Landlord).
Renovation period and rent-free period	:	Renovation period of four months starting from 15 November 2010 to 14 March 2011, and rent free period of a further three months starting from 15 March 2011 to 14 June 2011, during which the Tenant is not obliged to pay rent but has to pay for the management fee and all other related charges.
User	:	The wfc Premises shall be used for operating an up-market restaurant.

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

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

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

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

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

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

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

Details of the 1814 Lease

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

* For identification only

Details of the 1815 Lease

Premises	:	Unit 1815, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1815 Premises").
Term	:	Three years commencing from 16 September 2010 to 15 September 2013.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$21,500.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$3,579.10; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	One month commencing from 16 September 2010 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1815 Premises.

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

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

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

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

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

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

Details of the Renewal Tenancy Agreement

Premises	:	Shop 3013, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 3013 Premises").

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

Details of the Renewal Podium Roof Licence Agreement

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

Details of the Renewal Fan Room Licence Agreement

Fan Room	:	Fan Room, 3/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

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

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

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

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

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

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

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

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

Details of the Tenancy Agreement

Premises	:	Shop 501-502, 5/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 501-502 Premises").
Term	:	Two years eight months and four days commencing from 1 December 2011 to 4 August 2014, both days inclusive. Both the landlord and the tenant shall have the right to early terminate the lease by giving a notice of not less than three months to the other party after 4 February 2013.
Rent-free period	:	Three months commencing from and inclusive of 1 December 2011.

Rent and other charges : (a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$742,900.00;

(b) Government rates (subject to Government's review) is HK$83,700.00 per quarter;

(c) aggregate monthly management fee and air-conditioning charges (subject to periodic review by Shahdan or its designated management company of the Shop 501-502 Premises) is HK$161,531.80;

(d) monthly promotion contribution, being 1% of the monthly rent of the Shop 501-502 Premises, that is HK$7,429.00 subject to periodic review by Shahdan; and

(e) decoration plan vetting fee is HK$27,707.00 and debris disposal fee is HK$55,414.00.

Details of the First Tenancy Agreement

Premises : Shop 503A-C, 5/F., Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Shop 503A-C Premises").

Term : Three years commencing on 5 August 2011 to 4 August 2014, both days inclusive. Both the landlord and the tenant shall have the right to early terminate the lease by giving a notice of not less than three months to the other party after 4 February 2013.

Rent and other charges : (a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$458,000.00;

(b) Government rates (subject to Government's review) is HK$71,700.00 per quarter;

(c) aggregate monthly management fee and air-conditioning charges (subject to the review at such time to be determined by Shahdan or its designated management company of the Shop 503A-C Premises) is HK$82,622.80; and

(d) monthly promotion contribution, being 1% of the monthly rent of the Shop 503A-C Premises, that is HK$4,580.00, subject to periodic review by Shahdan.

Details of the Second Tenancy Agreement

Premises : Office units 609-12, 6/F., Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 609-12 Premises").

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

Details of the Signage A Licence Agreement

Signage A	:	Signage A on the external wall facing Nathan Road of Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years commencing from 1 September 2011 to 31 August 2014 subject to the right of early termination. Both the licensor and the licensee shall have the right to early terminate the license by giving a notice not less than three months after 29 February 2012.
Licence fee and other charges	:	(a) the licence fee (inclusive of electricity charges) payable on a monthly basis during the term is HK$55,000.00; and (b) Government rates (subject to Government's review) is HK$7,500.00 per quarter.
User	:	To be used for advertising the trade name of the licensee only.

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

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

Premises	:	Unit 1816, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Miramar Tower 1816 Premises").
Term	:	One year and nine months, commencing from 16 December 2011 to 15 September 2013.

Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$49,000.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) is HK$6,074.70; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Rent-free period	:	One month commencing from 16 December 2011 during which Union Medical shall not be obliged to pay rent but shall pay the management fee, air-conditioning charges, government rates and utility charges for the Miramar Tower 1816 Premises.
User	:	To be used as a clinic only and staffed by any combination of the specialist physicians specializing in Internal Medicine.

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

(10) On 15 May 2012, a lease (the "Citistore Lease") was entered into between Shahdan as landlord and Citistore Limited ("Citistore") as tenant, whereby Citistore had agreed to lease from Shahdan the premises upon the terms as detailed below:

Citistore Premises	:	Shop 2004, 2nd Floor, Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Initial term of 3 years commencing from 3 October 2011 to 2 October 2014 ("Initial term")
Rent and other charges	:	(a) The rent payable on monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) (payable in advance on the 1st day of each month) during the term shall be as follows: (i) From 3 October 2011 to 2 October 2014, basic rent in the sum of HK$220,800.00 per month plus the Annual Additional Turnover Rent (payable in arrear); (ii) From 3 October 2014 to 2 October 2017, provided the option (as defined below) is exercised by the Tenant, at open market rent plus the Annual Additional Turnover Rent (payable in arrear). (b) Government rates (subject to Government's review) is HK$19,800.00 per quarter (payable on the 1st day of January, April, July and October);

(c) aggregate monthly management fee and air-conditioning charges for the period from 3 October 2011 to 31 December 2011 is HK$36,833.90 and commencing from 1 January 2012 will be HK$41,067.00 (subject to periodic review by Shahdan or its property manager) (payable in advance on the 1st day of each month);

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

Option	:	Citistore is entitled to a option, exercisable by Citistore by giving Shahdan not less than 6 months' and not more than 7 months' written notice prior to the expiry of the Initial term to renew the New Citistore Lease for 3 years.
User	:	To be used as retail shop only.

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

(11) On 17 August 2012, a Renewal 1817-18 Lease was entered into between Shahdan as landlord and Union Medical as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Renewal Premises	:	Units 1817-18, 18th Floor Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	One year three months and four days, commencing from 12 June 2012 to 15 September 2013.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) during the term is HK$92,000.00; and The aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated management company of Miramar Tower) is HK$12,666.80.

As Union Medical is a connected person of the Company, the entering into of the Renewal 1817-18 Lease constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

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

Annual Review of Continuing Connected Transactions

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

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

(ii) on normal commercial terms; and

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

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

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

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

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

(iv) have not exceeded the cap amount of such transactions for the year ended 31 December 2012.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

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

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

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

During the year ended 31 December 2012, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2012 are set out in note 23 to the financial statements.

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

The Company and its subsidiaries have not issued, during the year ended 31 December 2012, any loan capital, convertible securities, warrants or options.

BORROWING COST CAPITALISATION

No borrowing cost was capitalised by the Company and its subsidiaries during the year ended 31 December 2012 (2011: HK$Nil).

SHARE CAPITAL

Details of the share capital during the year ended 31 December 2012 are set out in note 26 to the financial statements.

PUBLIC FLOAT

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

RESERVES

Movements in reserves during the year ended 31 December 2012 are set out in note 26(a) to the financial statements.

GROUP'S FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 149.

GROUP PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 150 to 152.

CORPORATE FINANCE

The Group maintains its conservative financial policy, with high liquidity and low gearing. Gearing, calculated by dividing consolidated total borrowings by consolidated total shareholders' equity, is only 19% as at 31 December 2012 (2011: 17%).

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its operation in the Mainland China as well as certain bank deposits which are denominated in RMB and bond investments which are denominated in USD.

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

The Group has adequate credit facilities available to fund its development programme for the foreseeable future. At 31 December 2012, total available facilities amounted to approximately HK$2.7 billion (2011: approximately HK$2.1 billion), and 74% of that (2011: 78%) were utilised. At 31 December 2012, consolidated net borrowings were approximately HK$0.06 billion (2011: HK$0.43 billion), of which HK$0.08 billion was secured borrowings (2011: none).

EMPLOYEES

The performance achieved by the Company in 2012 was a reflection of the hard work, dedication and professionalism of employees that we have across various businesses. As at 31 December 2012, the Company had total full-time employees of approximately 2,210, including 1,655 employees in Hong Kong, 555 employees in the People's Republic of China and the United States of America. It is the policy of the Company to remunerate employees to support the achievement of the Company mission, vision and strategies. The Company offers externally competitive and internally equitable remuneration packages to attract, retain and motivate qualified employees. Our remuneration packages are administered based on the principle of Pay for Performance which is implemented through performance management system, performance-based salary administration and discretionary bonus schemes.

TRAINING AND DEVELOPMENT

To support the development of our employees, we adopted a "S.E.E." development approach (see, experience and exposures). It is a planned and systematic approach, enabling our employees at different levels to see the future development of the organization, experience and being involved in the process of business strategy formulation and performance management, together with diversified exposures to develop their leadership skills. Besides, with the continuous efforts of people development, we have been accredited the Grand Prize Award 2012, ERB Manpower Developer, by Employee Retraining Board. We will continue to focus on building a highly effective team through communication and coaching to enhance productivity for business.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2012 and discussed with internal audit executives and independent external auditors matters on auditing, internal control and financial reports of the Group.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General meeting is to be proposed at the forthcoming 2013 Annual General Meeting.

By Order of the Board
LEE SHAU KEE
Chairman

Hong Kong, 19 March 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Miramar Hotel and Investment Company, Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 67 to 148, which comprise the consolidated and company balance sheets as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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 Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

Hong Kong, 19 March 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	*10*	**2,973,859**	2,495,924
Cost of inventories		**(405,793)**	(220,017)
Staff costs	*3(a)*	**(481,724)**	(397,058)
Utilities, repairs and maintenance and rent		**(163,308)**	(136,478)
Tour and ticketing costs		**(1,002,469)**	(954,171)
Gross profit		**920,565**	788,200
Other revenue		**78,727**	52,020
Operating and other expenses		**(305,875)**	(215,444)
Depreciation and amortisation		**(131,693)**	(100,414)
		561,724	524,362
Finance costs	*3(b)*	**(30,259)**	(15,659)
Share of profits less losses of associates		**(670)**	(531)
Share of profit/(loss) of a jointly controlled entity		**742**	(719)
		531,537	507,453
Reversal of provision for properties held for resale		**–**	2,278
Net gain on disposal of properties		**41,879**	–
Net realised and unrealised gains/(losses) on trading securities		**13,068**	(14,938)
Net increase in fair value of investment properties	*11(a)*	**929,079**	914,580
Profit before taxation	*3*	**1,515,563**	1,409,373
Taxation			
– Current	*4(a)*	**(79,038)**	(61,817)
– Deferred	*4(a)*	**(28,946)**	(19,050)
Profit for the year carried forward		**1,407,579**	1,328,506

CONSOLIDATED INCOME STATEMENT (CONTINUED)
for the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Profit for the year brought forward		**1,407,579**	1,328,506
Attributable to:			
Shareholders of the Company	*7*	**1,377,111**	1,325,310
Non-controlling interests		**30,468**	3,196
		1,407,579	1,328,506
Earnings per share – basic and diluted	*9*	**HK$2.39**	HK$2.30

The notes on pages 79 to 148 form an integral part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 8(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year	**1,407,579**	1,328,506
Other comprehensive income for the year (after tax and reclassification adjustments):		
Exchange differences on translation of the financial statements of overseas subsidiaries	**6,504**	39,851
Changes in fair value of available-for-sale securities	**7,246**	1,108
	13,750	40,959
Total comprehensive income for the year	**1,421,329**	1,369,465
Attributable to:		
Shareholders of the Company	**1,389,971**	1,360,031
Non-controlling interests	**31,358**	9,434
Total comprehensive income for the year	**1,421,329**	1,369,465

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

The notes on pages 79 to 148 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets			
– Investment properties	*11(a)*	**10,535,158**	9,653,219
– Other fixed assets	*11(a)*	**844,641**	931,814
		11,379,799	10,585,033
Interest in associates	*13*	**2,102**	3,844
Interest in a jointly controlled entity	*14*	**7,692**	5,599
Available-for-sale securities	*15*	**250,234**	7,121
Deferred tax assets	*25(b)(iii)*	**33,608**	22,746
		11,673,435	10,624,343
Current assets			
Properties under development for sale	*16*	**62,297**	239,767
Inventories	*17*	**184,634**	156,098
Trade and other receivables	*18*	**338,127**	320,073
Available-for-sale securities	*15*	**31,977**	30,939
Trading securities	*19*	**2,828**	79,277
Cash and bank balances	*20*	**1,992,253**	1,291,971
Tax recoverable	*25(a)*	**15,924**	2,454
		2,628,040	2,120,579
Current liabilities			
Trade and other payables	*21*	**(520,661)**	(558,025)
Bank loans and overdrafts	*23*	**(965,513)**	(240,000)
Sales and rental deposits received		**(161,638)**	(129,085)
Tax payable	*25(a)*	**(29,166)**	(24,006)
		(1,676,978)	(951,116)
Net current assets		**951,062**	1,169,463
Total assets less current liabilities carried forward		**12,624,497**	11,793,806

CONSOLIDATED BALANCE SHEET (CONTINUED)
at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Total assets less current liabilities brought forward		**12,624,497**	11,793,806
Non-current liabilities			
Bank loans	*23*	**(1,041,182)**	(1,423,323)
Deferred liabilities	*24*	**(117,239)**	(124,616)
Amounts due to holders of non-controlling interests of a subsidiary	*22*	**(47,438)**	(55,666)
Deferred tax liabilities	*25(b)(iii)*	**(218,152)**	(177,734)
		(1,424,011)	(1,781,339)
NET ASSETS		**11,200,486**	10,012,467
CAPITAL AND RESERVES			
Share capital	*26(b)*	**404,062**	404,062
Reserves		**10,668,584**	9,503,518
Total equity attributable to shareholders of the Company		**11,072,646**	9,907,580
Non-controlling interests		**127,840**	104,887
TOTAL EQUITY		**11,200,486**	10,012,467

Approved and authorised for issue by the board of directors on 19 March 2013.

LEE SHAU KEE
Chairman

LEE KA SHING
CEO

The notes on pages 79 to 148 form an integral part of these financial statements.

BALANCE SHEET
at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets			
– Investment properties	*11(b)*	**236,315**	210,056
– Other fixed assets	*11(b)*	**18,157**	17,796
		254,472	227,852
Interest in subsidiaries	*12*	**2,778,795**	3,071,287
Interest in associates	*13*	**66**	303
		3,033,333	3,299,442
Current assets			
Inventories	*17*	**5,217**	5,233
Trade and other receivables	*18*	**27,566**	21,432
Cash and bank balances	*20*	**1,396,516**	1,014,842
Tax recoverable	*25(a)*	**–**	502
		1,429,299	1,042,009
Current liabilities			
Trade and other payables	*21*	**(92,832)**	(81,401)
Bank loans and overdrafts	*23*	**(288,836)**	(100,000)
Deposits received		**(1,499)**	(3,609)
		(383,167)	(185,010)
Net current assets		**1,046,132**	856,999
Total assets less current liabilities carried forward		**4,079,465**	4,156,441

BALANCE SHEET (CONTINUED)
at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Total assets less current liabilities brought forward		**4,079,465**	4,156,441
Non-current liabilities			
Amounts due to subsidiaries	*12*	**(1,604,097)**	(1,441,990)
Bank loans	*23*	**–**	(184,526)
Deferred tax liabilities	*25(b)(iii)*	**(8,123)**	(7,448)
		(1,612,220)	(1,633,964)
NET ASSETS		**2,467,245**	2,522,477
CAPITAL AND RESERVES			
Share capital		**404,062**	404,062
Reserves		**2,063,183**	2,118,415
TOTAL EQUITY	*26(a)*	**2,467,245**	2,522,477

Approved and authorised for issue by the board of directors on 19 March 2013.

LEE SHAU KEE
Chairman

LEE KA SHING
CEO

The notes on pages 79 to 148 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

		Attributable to shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2011		404,062	287,628	(91,086)	99,941	304,827	3,449	7,752,123	8,760,944	104,011	8,864,955
Changes in equity for 2011:											
Profit for the year		–	–	–	–	–	–	1,325,310	1,325,310	3,196	1,328,506
Other comprehensive income		–	–	–	33,613	–	1,108	–	34,721	6,238	40,959
Total comprehensive income		–	–	–	33,613	–	1,108	1,325,310	1,360,031	9,434	1,369,465
Final dividends approved in respect of the previous year	*8(b)*	–	–	–	–	–	–	(126,991)	(126,991)	–	(126,991)
Interim dividends declared in respect of the current year	*8(a)*	–	–	–	–	–	–	(86,585)	(86,585)	–	(86,585)
Liquidation of a subsidiary		–	–	–	–	–	–	–	–	(586)	(586)
Increase in non-controlling interests attributable to a decrease in shareholding of a subsidiary		–	–	–	–	–	–	181	181	(181)	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	3,567	3,567
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(11,358)	(11,358)
Balance at 31 December 2011		404,062	287,628	(91,086)	133,554	304,827	4,557	8,864,038	9,907,580	104,887	10,012,467

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2012

		Attributable to shareholders of the Company									
	Note	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	General reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2012		**404,062**	**287,628**	**(91,086)**	**133,554**	**304,827**	**4,557**	**8,864,038**	**9,907,580**	**104,887**	**10,012,467**
Changes in equity for 2012:											
Profit for the year		–	–	–	–	–	–	1,377,111	1,377,111	30,468	1,407,579
Other comprehensive income		–	–	–	5,614	–	7,246	–	12,860	890	13,750
Total comprehensive income		–	–	–	5,614	–	7,246	1,377,111	1,389,971	31,358	1,421,329
Final dividends approved in respect of the previous year	*8(b)*	–	–	–	–	–	–	(132,763)	(132,763)	–	(132,763)
Interim dividends declared in respect of the current year	*8(a)*	–	–	–	–	–	–	(92,357)	(92,357)	–	(92,357)
Increase in non-controlling interests attributable to a decrease in shareholding of a subsidiary		–	–	–	–	–	–	215	215	(215)	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(8,190)	(8,190)
Balance at 31 December 2012		**404,062**	**287,628**	**(91,086)**	**139,168**	**304,827**	**11,803**	**10,016,244**	**11,072,646**	**127,840**	**11,200,486**

The notes on pages 79 to 148 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Operating activities			
Profit before taxation		**1,515,563**	1,409,373
Adjustments for:			
Interest income from unlisted debt securities		**(2,806)**	–
Bank interest income		**(28,210)**	(5,815)
Net loss on disposal of other fixed assets		**4,928**	1,537
Depreciation and amortisation		**131,693**	100,414
Finance costs		**30,259**	15,659
Share of profits less losses of associates		**670**	531
Share of (profit)/loss of a jointly controlled entity		**(742)**	719
Reversal of impairment of interest in associates		**–**	(3,133)
Impairment loss on bad and doubtful debts		**2,979**	10
Reversal of provision for properties held for resale		**–**	(2,278)
Provision for merchandised goods		**18,108**	–
Net gain on disposal of properties		**(41,879)**	–
Net realised and unrealised (gains)/losses on trading securities		**(13,068)**	14,938
Net increase in fair value of investment properties		**(929,079)**	(914,580)
Loss/(gain) on disposal of an associate		**38**	(313)
Exchange differences		**(2,285)**	4,331
Operating profit before changes in working capital carried forward		**686,169**	621,393

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Operating profit before changes in working capital brought forward		**686,169**	621,393
Decrease in properties under development for sale		**177,007**	1,668
(Increase)/decrease in inventories		**(43,969)**	11,972
Decrease/(increase) in trade and other receivables		**14,953**	(104,560)
(Increase)/decrease in amounts due from associates		**(52)**	1,175
Increase in amount due from a jointly controlled entity		**(1,351)**	(5,177)
Increase/(decrease) in amount due to an associate		**6,061**	(16)
(Decrease)/increase in trade and other payables		**(35,129)**	28,285
Increase in sales and rental deposits received		**32,553**	12,677
(Decrease)/increase in deferred liabilities		**(7,377)**	37,989
Payment for purchase of trading securities		**(185,627)**	(147,399)
Proceeds from disposal of trading securities		**275,144**	53,184
Cash generated from operations		**918,382**	511,191
Bank interest received		**21,241**	2,886
Interest and other borrowing costs paid		**(27,131)**	(15,674)
Dividends paid		**(225,120)**	(213,576)
Dividends paid to non-controlling interests		**(8,190)**	(11,358)
Dividends received from associates		**–**	442
Tax paid			
– Hong Kong Profits Tax paid		**(66,608)**	(51,331)
– Hong Kong Profits Tax refunded		**1,031**	64
– Overseas tax paid		**(21,770)**	(4,113)
Net cash generated from operating activities		**591,835**	218,531

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Investing activities			
Payment for purchase of investment properties		**(3,464)**	(301)
Payment for purchase of other fixed assets		**(47,000)**	(193,264)
Payment for purchase of available-for-sale securities		**(238,022)**	(30,939)
Proceeds from disposal of other fixed assets		**471**	277
Proceeds from disposal of an associate		**1,086**	884
Proceeds from disposal of properties		**76,725**	–
Increase in time deposits with maturity more than three months		**(575,869)**	(777,399)
Net cash used in investing activities		**(786,073)**	(1,000,742)
Financing activities			
Proceeds from new bank loans		**6,078,096**	2,814,061
Repayment of bank loans		**(5,745,520)**	(2,009,061)
Repayment of advances from holders of non-controlling interests of subsidiaries		**(25,822)**	(2,460)
Capital contribution from non-controlling interests		**–**	3,567
Net cash generated from financing activities		**306,754**	806,107
Net increase in cash and cash equivalents		**112,516**	23,896
Cash and cash equivalents at 1 January		**476,425**	441,838
Effect of foreign exchange rate changes		**2,283**	10,691
Cash and cash equivalents at 31 December		**591,224**	476,425
Analysis of the balances of cash and cash equivalents at 31 December			
Cash and bank balances	20	**1,992,253**	1,291,971
Bank overdrafts		**(9,614)**	–
Less: Time deposits with maturity more than three months		**(1,391,415)**	(815,546)
		591,224	476,425

The notes on pages 79 to 148 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. These include the amendments to HKAS 12, *Income taxes – deferred tax: recovery of underlying assets*, which the Group has already adopted in the prior year. None of other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a jointly controlled entity.

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

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

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(d)).

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and (j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

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

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

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

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

(f) Other investments in debt and equity securities (continued)

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(s)(vi). When these investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

(g) Investment property

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

(h) Other fixed assets

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

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

– hotel property; and

– machinery, furniture, fixtures and equipment.

Gains or losses arising from the retirement or disposal of an item of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

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

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

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

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

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Leased assets (continued)

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

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

(ii) Assets held for use in operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in note 1(s)(i).

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale (see note 1(k)(ii)).

(j) Impairment of assets

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

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 1(d))), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

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

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

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(k) Inventories

(i) Consumable stores and merchandised goods

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories (continued)

(i) Consumable stores and merchandised goods (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

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

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Properties held for resale

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

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

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(q) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

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

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

(iii) Sale of merchandised goods

Revenue is recognised when goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

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

(v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

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

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

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

(v) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Valuation of investment properties

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

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

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

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

Assessment of provision for properties held under development and for resale

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

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

Impairment of interest in subsidiaries

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

3 PROFIT BEFORE TAXATION

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

		2012	2011
		HK$'000	*HK$'000*
(a)	**Staff costs**		
	Contributions to defined contribution plan	**15,544**	15,011
	Salaries, wages and other benefits	**466,180**	382,047
		481,724	397,058
(b)	**Finance costs**		
	Interest on bank advances and other borrowings repayable within five years	**26,247**	13,312
	Other borrowing costs	**4,012**	2,347
		30,259	15,659
(c)	**Others**		
	Auditors' remuneration	**4,693**	4,375
	Net foreign exchange gain	**(5,288)**	(11,993)
	Net loss on disposal of other fixed assets	**4,928**	1,537
	Operating lease charges: minimum lease payments – property rentals	**64,251**	53,133
	Impairment loss for bad and doubtful debts	**2,979**	10
	Rentals receivable from investment properties less direct outgoings of HK$50,576,000 (2011: HK$45,834,000)	**(545,757)**	(483,933)
	Other rental income less direct outgoings of HK$1,522,000 (2011: HK$4,992,000)	**(92,236)**	(31,659)
	Dividend income from listed securities	**(3,287)**	(1,415)
	Bank interest income	**(28,210)**	(5,815)
	Interest income from unlisted debt securities	**(2,806)**	–
	Loss/(gain) on disposal of an associate	**38**	(313)
	Reversal of impairment of interest in associates	**–**	(3,133)
	Provision for merchandised goods	**18,108**	–

4 TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**71,154**	58,303
(Over)/under-provision in respect of prior years	**(370)**	284
	70,784	58,587
Current tax – Overseas		
Provision for the year	**5,358**	5,499
Under/(over)-provision in respect of prior years	**2,896**	(2,269)
	8,254	3,230
Deferred tax		
Change in fair value of investment properties	**16**	404
Origination and reversal of temporary differences	**28,930**	18,646
	28,946	19,050
	107,984	80,867

Provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

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

Share of associates' taxation for the year ended 31 December 2012 of HK$7,000 (2011: HK$10,000) is included in the share of profits less losses of associates.

Share of a jointly controlled entity's taxation for the year ended 31 December 2012 of HK$34,000 (2011: HK$Nil) is included in the share of profit/(loss) of a jointly controlled entity.

4 TAXATION IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	2012 *HK$'000*	2011 *HK$'000*
Profit before taxation	**1,515,563**	1,409,373
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**237,432**	231,258
Tax effect of non-deductible expenses	**11,886**	5,291
Tax effect of non-taxable income	**(170,509)**	(155,749)
Tax effect of unused tax losses not recognised in the year	**26,826**	15,676
Tax effect of tax losses not recognised in prior years utilised this year	**(177)**	(13,624)
Under/(over)-provision in prior years	**2,526**	(1,985)
Actual tax expense	**107,984**	80,867

5 DIRECTORS' REMUNERATION

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

	2012				
	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Board of directors					
Dr Lee Shau Kee	100	–	–	–	100
Mr Lee Ka Shing	50	–	–	–	50
Dr Patrick Fung Yuk Bun	200	–	–	–	200
Mr Dominic Cheng Ka On	200	–	–	–	200
Mr Richard Tang Yat Sun	100	–	–	–	100
Mr Colin Lam Ko Yin	50	–	–	–	50
Mr Eddie Lau Yum Chuen	50	–	–	–	50
Mr Tony Ng*	22	–	–	–	22
Mr Norman Ho Hau Chong	50	–	–	–	50
Mr Alexander Au Siu Kee	50	–	–	–	50
Independent non-executive directors					
Dr David Sin Wai Kin	250	–	–	–	250
Mr Wu King Cheong	250	–	–	–	250
Dr Timpson Chung Shui Ming	250	–	–	–	250
Mr Howard Yeung Ping Leung**	50	–	–	–	50
Mr Thomas Liang Cheung Biu**	50	–	–	–	50
	1,722	–	–	–	1,722

* Retired on 7 June 2012.

** Re-designated as independent non-executive director on 6 December 2012.

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

6 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

No directors of the Company was included in the five individuals with the highest emoluments (2011: Nil). Details of directors' emolument are disclosed in note 5. The aggregate of the emoluments in respect of the five (2011: five) individuals is as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**8,679**	10,780
Discretionary bonuses	**863**	2,377
Retirement scheme contributions	**421**	472
	9,963	13,629

The emoluments of the five (2011: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2012	2011
HK$0 – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**3**	2
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**2**	1
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**–**	–
HK$4,500,001 – HK$5,000,000	**–**	–
HK$5,000,001 – HK$5,500,000	**–**	–
HK$5,500,001 – HK$6,000,000	**–**	1
	5	5

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of HK$169,888,000 (2011: HK$213,326,000) which has been dealt with in the financial statements of the Company.

8 DIVIDENDS

(a) Dividends attributable to the year

	2012	2011
	HK$'000	*HK$'000*
Interim dividend declared and paid of 16 Hong Kong cents per share (2011: 15 Hong Kong cents per share)	**92,357**	86,585
Final dividend proposed after the balance sheet date of 25 Hong Kong cents per share (2011: 23 Hong Kong cents per share)	**144,308**	132,763
	236,665	219,348

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

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

	2012	2011
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 23 Hong Kong cents per share (2011: 22 Hong Kong cents per share)	**132,763**	126,991

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of the Company of HK$1,377,111,000 (2011: HK$1,325,310,000) and 577,231,252 shares (2011: 577,231,252 shares) in issue during the year.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2012 and 2011, and hence diluted earnings per share is the same as the basic earnings per share.

10 SEGMENT REPORTING

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

(a) Segment results

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

10 SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below.

	2012						
	Property investment *HK$'000*	Property development and sales *HK$'000*	Hotel ownership and management *HK$'000*	Food and beverage operation *HK$'000*	Travel operation *HK$'000*	Apparel operation *HK$'000*	Total *HK$'000*
Revenue from external customers	690,091	172,660	615,036	285,133	1,119,793	91,146	2,973,859
Inter-segment revenue	–	–	1,871	5,345	–	–	7,216
Reportable segment revenue	690,091	172,660	616,907	290,478	1,119,793	91,146	2,981,075
Elimination of inter-segment revenue							(7,216)
Consolidated turnover							2,973,859
Reportable segment results (adjusted EBITDA)	586,433	(20,901)	233,611	(39,561)	35,476	(35,162)	759,896
Unallocated corporate expenses							(198,172)
							561,724
Finance costs							(30,259)
Share of profits less losses of associates							(670)
Share of profit of a jointly controlled entity							742
Net gain on disposal of properties							41,879
Net realised and unrealised gains on trading securities							13,068
Net increase in fair value of investment properties	929,079						929,079
Consolidated profit before taxation							1,515,563

10 SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

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

10 SEGMENT REPORTING (CONTINUED)

(b) Geographical information

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Hong Kong Special Administrative Region	**2,622,447**	2,321,796	**10,684,759**	9,881,663
The People's Republic of China	**178,752**	174,128	**704,834**	712,813
The United States of America	**172,660**	–	**–**	–
	2,973,859	2,495,924	**11,389,593**	10,594,476

11 FIXED ASSETS

(a) The Group

	Investment properties HK$'000	Other fixed assets: Hotel HK$'000	Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2012	9,653,219	140,221	19,473	1,560,710	1,720,404	11,373,623
Additions	3,464	–	–	55,924	55,924	59,388
Disposals	(55,054)	–	(8,372)	(9,911)	(18,283)	(73,337)
Reclassification	–	–	(4,064)	–	(4,064)	(4,064)
Exchange adjustments	4,450	–	–	1,042	1,042	5,492
Surplus on revaluation	929,079	–	–	–	–	929,079
At 31 December 2012	10,535,158	140,221	7,037	1,607,765	1,755,023	12,290,181
Representing:						
Cost	–	140,221	7,037	1,607,765	1,755,023	1,755,023
Valuation – 2012	10,535,158	–	–	–	–	10,535,158
	10,535,158	140,221	7,037	1,607,765	1,755,023	12,290,181
Accumulated depreciation and amortisation:						
At 1 January 2012	–	87,893	10,509	690,188	788,590	788,590
Charge for the year	–	1,917	329	129,447	131,693	131,693
Written back on disposals	–	–	(3,406)	(4,512)	(7,918)	(7,918)
Reclassification	–	–	(2,302)	–	(2,302)	(2,302)
Exchange adjustments	–	–	–	319	319	319
At 31 December 2012	–	89,810	5,130	815,442	910,382	910,382
Net book value:						
At 31 December 2012	10,535,158	50,411	1,907	792,323	844,641	11,379,799

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

11 FIXED ASSETS (CONTINUED)

(a) The Group (continued)

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

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

11 FIXED ASSETS (CONTINUED)

(b) The Company

		Other fixed assets			
	Investment properties HK$'000	Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2012	210,056	260	67,418	67,678	277,734
Additions	–	–	4,584	4,584	4,584
Disposals	–	–	(1,094)	(1,094)	(1,094)
Surplus on revaluation	26,259	–	–	–	26,259
At 31 December 2012	236,315	260	70,908	71,168	307,483
Representing:					
Cost	–	260	70,908	71,168	71,168
Valuation – 2012	236,315	–	–	–	236,315
	236,315	260	70,908	71,168	307,483
Accumulated depreciation and amortisation:					
At 1 January 2012	–	219	49,663	49,882	49,882
Charge for the year	–	3	4,220	4,223	4,223
Written back on disposals	–	–	(1,094)	(1,094)	(1,094)
At 31 December 2012	–	222	52,789	53,011	53,011
Net book value:					
At 31 December 2012	236,315	38	18,119	18,157	254,472

* Others comprise machinery, furniture, fixtures and equipment.

11 FIXED ASSETS (CONTINUED)

(b) The Company (continued)

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

* Others comprise machinery, furniture, fixtures and equipment.

11 FIXED ASSETS (CONTINUED)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Land and buildings in Hong Kong:				
– long leases	**117,845**	165,917	**145**	145
– medium term leases	**9,957,581**	9,047,385	**236,430**	210,171
– short leases	**2,865**	–	–	–
Land and buildings outside Hong Kong:				
– long leases	**550,959**	546,813	**–**	–
– medium term leases	**52,945**	52,577	**–**	–
– short leases	**221**	221	**–**	–
	10,682,416	9,812,913	**236,575**	210,316

(d) Investment properties of the Group and the Company were revalued at 31 December 2012 on a market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, DTZ, which has among its staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(e) The Group and the Company lease out investment properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenant's sales receipts.

The total contingent rents recognised in the consolidated income statement for the year are HK$19,478,000 (2011: HK$19,245,000).

(f) The gross carrying amounts of investment properties of the Group and the Company held for use in operating leases are HK$10,535,158,000 (2011: HK$9,653,219,000) and HK$236,315,000 (2011: HK$210,056,000) respectively.

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

11 FIXED ASSETS (CONTINUED)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**533,667**	513,720	**110**	3,557
After 1 year but within 5 years	**566,860**	626,442	**–**	–
After 5 years	**11,339**	–	**–**	–
	1,111,866	1,140,162	**110**	3,557

12 INTEREST IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**93,332**	93,332
Amounts due from subsidiaries *(note (a))*	**3,095,892**	3,361,294
	3,189,224	3,454,626
Less: Impairment loss	**(410,429)**	(383,339)
	2,778,795	3,071,287
Amounts due to subsidiaries *(note (b))*	**(1,604,097)**	(1,441,990)

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amounts due from certain subsidiaries amounting to HK$1,976,232,000 (2011: HK$2,500,548,000), which are interest bearing with reference to the prevailing market rate.

(b) The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amounts due to certain subsidiaries amounting to HK$545,454,000 (2011: HK$284,510,000), which are interest bearing with reference to the prevailing market rate.

12 INTEREST IN SUBSIDIARIES (CONTINUED)

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

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

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

12 INTEREST IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
How Light Investments Limited	Hong Kong	The PRC	HK$100,000	100%	–	100%	Property sale
Korngold Limited	Hong Kong	Hong Kong	HK$2	100%	100%	–	Property investment
Merry King Resources Limited	Hong Kong	Hong Kong	HK$1,000	90%	–	90%	Restaurant operation
Mira Moon Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Hotel operation
Miramar East Company Limited	Hong Kong	Hong Kong	HK$10,000	100%	–	100%	Property rental
Miramar Finance Limited	Hong Kong	Hong Kong	HK$100,000	100%	100%	–	Finance
Miramar Group (Corporate Funding) Co. Limited	Hong Kong	Hong Kong	HK$1,000	100%	99%	1%	Finance
Miramar Hotel and Property Management Company Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Property management
Miramar Hotel Management Company Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Restaurant operation and hotel management
Miramar Hotel & Investment (Express) Limited	Hong Kong	Hong Kong	HK$10,000,000	100%	100%	–	Travel agency
Miramar Travel Limited	Hong Kong	Hong Kong	HK$13,000,000	53.8%	53.8%	–	Travel agency

12 INTEREST IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
The Pinesprop Limited	Hong Kong	Hong Kong	HK$1,000	100%	100%	–	Property investment
Prosperwell Properties Limited	Hong Kong	Hong Kong	HK$10,000	100%	93%	7%	Property rental
Rainbow City Development Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Restaurant operation
Randall Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Shahdan Limited	Hong Kong	Hong Kong	HK$200,000	100%	100%	–	Property rental
Smart Faith Investments Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Restaurant operation
Strong Profit Resources Limited	Hong Kong	The PRC	HK$10,000	70%	–	100%	Property sale
Tsui Hang Village Restaurant Limited	Hong Kong	Hong Kong	HK$500,000	100%	100%	–	Restaurant operation
Warsaw Investments Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Property rental
Wide Trade Investments Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Property investment
World Eagle Resources Limited	Hong Kong	Hong Kong	HK$2	100%	–	100%	Restaurant operation
Beijing Cuisine Cuisine Restaurant Company Limited~*	The PRC	The PRC	US$2,100,000	100%	–	100%	Restaurant operation

12 INTEREST IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Grand Mira Property Management (Shanghai) Limited~*	The PRC	The PRC	US$5,000,000	100%	–	100%	Property rental and management
Miramar Fashion (Shanghai) Co. Limited~*	The PRC	The PRC	RMB60,000,000	100%	–	100%	Apparel operation
Knutsford Trading (Beijing) Co. Limited~*	The PRC	The PRC	RMB5,000,000	100%	–	100%	Apparel operation
Shanghai Henderson – Miramar Hotels Management Co. Ltd.^*	The PRC	The PRC	US$200,000	100%	–	100%	Hotel management
Shanghai Shangmei Property Co. Ltd.^*	The PRC	The PRC	US$13,000,000	51.4%	–	68.6%	Property development
Wuhan Cuisine Cuisine Restaurant Company Limited~*	The PRC	The PRC	RMB43,400,000	100%	–	100%	Restaurant operation
Centralplot, Inc.	The British Virgin Islands	The United States of America	US$38,133,285	88%	–	88%	Property development

* KPMG are not statutory auditors of these subsidiaries. The total net assets and total turnover of these subsidiaries constituting approximately 9% (2011: 9%) and 5% (2011: 4%) respectively of the related consolidated totals.

~ Wholly foreign-owned enterprise

^ Sino-foreign equity joint venture enterprise

13 INTEREST IN ASSOCIATES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	250
Share of net assets	**6,812**	8,606	**–**	–
Amounts due from associates	**6,205**	6,153	**4,274**	4,261
Loans to associates	**36,971**	36,971	**–**	–
	49,988	51,730	**4,274**	4,511
Less: Impairment loss	**(47,886)**	(47,886)	**(4,208)**	(4,208)
	2,102	3,844	**66**	303

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

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

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

* KPMG are not statutory auditors of this associate.

13 INTEREST IN ASSOCIATES (CONTINUED)

Summary of financial information on associates:

	Assets *HK$'000*	**Liabilities** *HK$'000*	**Equity** *HK$'000*	**Revenues** *HK$'000*	**Loss** *HK$'000*
2012					
Aggregate of associates' financial statements	**159,206**	**(145,860)**	**13,346**	**11,078**	**(1,309)**
Group's effective interest	**70,407**	**(63,595)**	**6,812**	**5,536**	**(670)**
2011					
Aggregate of associates' financial statements	165,169	(145,817)	19,352	31,776	(2,400)
Group's effective interest	72,106	(63,500)	8,606	12,583	(531)

14 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2012 *HK$'000*	2011 *HK$'000*
Share of net assets	**6,023**	5,281
Amount due from a jointly controlled entity	**1,669**	318
	7,692	5,599

Amount due from a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

14 INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

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

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

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

	2012	2011
	HK$'000	*HK$'000*
Non-current assets	**1,417**	1,836
Current assets	**6,166**	4,641
Current liabilities	**(1,560)**	(1,196)
Net assets	**6,023**	5,281
Income	**8,509**	4,879
Expenses	**(7,767)**	(5,598)
Profit/(loss) for the year	**742**	(719)

15 AVAILABLE-FOR-SALE SECURITIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Non-current		
Unlisted debt securities in overseas	**240,598**	–
Listed equity securities in Hong Kong	**9,636**	7,121
	250,234	7,121
Current		
Investment fund, unlisted	**31,977**	30,939
Total	**282,211**	38,060
Market value of listed equity securities	**9,636**	7,121

16 PROPERTIES UNDER DEVELOPMENT FOR SALE

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Outside Hong Kong on freehold land	**62,297**	239,767

17 INVENTORIES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Consumable stores	**19,911**	29,861	**5,217**	5,233
Properties held for resale	**113,992**	110,376	**–**	–
Merchandised goods	**50,731**	15,861	**–**	–
	184,634	156,098	**5,217**	5,233

Properties held for resale of HK$113,992,000 (2011: HK$110,376,000) and merchandised goods of HK$50,731,000 (2011: HK$15,861,000) are net of a provision in order to state these properties and merchandised goods at the lower of their cost and estimated net realisable value.

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**136,459**	95,153	**7,478**	3,452
Less: Allowance for doubtful debts	**(3,838)**	(1,417)	**(10)**	(10)
	132,621	93,736	**7,468**	3,442
Other receivables, deposits and prepayments	**205,506**	226,337	**20,098**	17,990
	338,127	320,073	**27,566**	21,432

All of the trade and other receivables are expected to be recovered within one year except for the amount of HK$31,044,000 (2011: HK$10,499,000) which is expected to be recovered after more than one year.

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 to 1 month	**94,840**	60,797	**4,444**	3,035
1 month to 2 months	**12,270**	15,085	**1,414**	320
Over 2 months	**25,511**	17,854	**1,610**	87
	132,621	93,736	**7,468**	3,442

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

(b) **Impairment of trade receivables**

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

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (continued)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**1,417**	1,407	**10**	–
Impairment loss recognised	**2,979**	10	**–**	10
Uncollectible amounts written off	**(558)**	–	**–**	–
At 31 December	**3,838**	1,417	**10**	10

At 31 December 2012, the Group's and the Company's trade receivables of HK$3,838,000 (2011: HK$1,417,000) and HK$10,000 (2011: HK$10,000) respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are expected to be not recoverable. Consequently, specific allowances for doubtful debts of HK$3,838,000 (2011: HK$1,417,000) and HK$10,000 (2011: HK$10,000) respectively were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Neither past due nor impaired	**94,840**	60,797	**4,444**	3,035
Less than 1 month past due	**12,270**	15,085	**1,414**	320
1 to 2 months past due	**7,096**	4,510	**1,306**	66
Over 2 months past due	**18,415**	13,344	**304**	21
	37,781	32,939	**3,024**	407
	132,621	93,736	**7,468**	3,442

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19 TRADING SECURITIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong (stated in market value)	**2,828**	79,277

20 CASH AND BANK BALANCES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks and other financial institutions	**1,557,965**	1,040,975	**1,390,212**	990,366
Cash at bank and in hand	**434,288**	250,996	**6,304**	24,476
	1,992,253	1,291,971	**1,396,516**	1,014,842

Cash and bank balances at 31 December 2012 include HK$186,577,000 equivalent (2011: HK$127,995,000 equivalent) place with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**109,518**	104,973	**32,485**	31,195
Other payables	**324,784**	357,042	**55,951**	45,794
Amounts due to holders of non-controlling interests of subsidiaries *(see note 22)*	**75,886**	91,598	**–**	–
Amount due to an associate *(note)*	**10,473**	4,412	**4,396**	4,412
	520,661	558,025	**92,832**	81,401

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

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due within 3 months or on demand	**89,443**	88,925	**31,987**	30,686
Due after 3 months but within 6 months	**20,075**	16,048	**498**	509
	109,518	104,973	**32,485**	31,195

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

Except the amounts due to holders of non-controlling interests of a subsidiary amounting to HK$47,438,000 (2011: HK$55,666,000), which is interest bearing at 6.14% (2011: 6.14%) per annum and not expected to be settled within one year, and the amounts due to holders of non-controlling interests of a subsidiary amounting to HK$4,304,000 (2011: HK$Nil), which is interest bearing at 6.14% (2011: Nil) per annum and repayable within one year, all of the amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

23 BANK LOANS AND OVERDRAFTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unsecured bank overdrafts	**9,614**	–	**8,976**	–
Unsecured bank loans and repayable:				
– Within one year	**955,899**	240,000	**279,860**	100,000
– Between one and two years	**387,984**	563,427	**–**	184,526
– Between two and five years	**653,198**	859,896	**–**	–
	1,041,182	1,423,323	**–**	184,526
	1,997,081	1,663,323	**279,860**	284,526
	2,006,695	1,663,323	**288,836**	284,526

Interest on bank loans and overdrafts is charged at prevailing market rates.

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

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2012 none of the covenants relating to drawn down facilities had been breached (2011: None).

24 DEFERRED LIABILITIES

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

25 TAXATION IN THE BALANCE SHEET

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**71,154**	58,303	**–**	149
Provisional Hong Kong Profits Tax paid	**(44,328)**	(37,128)	**–**	(651)
	26,826	21,175	**–**	(502)
Balance of Hong Kong Profits Tax recoverable relating to prior years	**(518)**	(74)	**–**	–
Overseas tax (recoverable)/payable	**(13,066)**	451	**–**	–
	13,242	21,552	**–**	(502)
Representing:				
Tax recoverable	**(15,924)**	(2,454)	**–**	(502)
Tax payable	**29,166**	24,006	**–**	–
	13,242	21,552	**–**	(502)

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

25 TAXATION IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Depreciation allowances in excess of related depreciation *HK$'000*	Revaluation of properties *HK$'000*	Future benefit of tax loss *HK$'000*	Others *HK$'000*	Total *HK$'000*
Deferred tax arising from:					
At 1 January 2011	144,616	51,691	(46,240)	(17,287)	132,780
Charged/(credited) to profit or loss	18,760	404	5,148	(5,262)	19,050
Exchange adjustments	661	2,224	–	273	3,158
At 31 December 2011	164,037	54,319	(41,092)	(22,276)	154,988
At 1 January 2012	**164,037**	**54,319**	**(41,092)**	**(22,276)**	**154,988**
Charged/(credited) to profit or loss	**7,658**	**16**	**28,364**	**(7,092)**	**28,946**
Exchange adjustments	**142**	**404**	**–**	**64**	**610**
At 31 December 2012	**171,837**	**54,739**	**(12,728)**	**(29,304)**	**184,544**

25 TAXATION IN THE BALANCE SHEET (CONTINUED)

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

(ii) The Company

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

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

	Depreciation allowances in excess of related depreciation ***HK$'000***
Deferred tax arising from:	
At 1 January 2012	**7,448**
Charged to profit or loss	**675**
At 31 December 2012	**8,123**

25 TAXATION IN THE BALANCE SHEET (CONTINUED)

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

(iii)

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Net deferred tax assets recognised on the balance sheet	**(33,608)**	(22,746)	**–**	–
Net deferred tax liabilities recognised on the balance sheet	**218,152**	177,734	**8,123**	7,448
	184,544	154,988	**8,123**	7,448

(c) Deferred tax assets not recognised

The Group and the Company have not recognised deferred assets of HK$73,413,000 (2011: HK$46,166,000) and HK$6,100,000 (2011: HK$Nil) in respect of accumulated tax losses of HK$297,538,000 (2011: HK$171,359,000) and HK$36,971,000 (2011: HK$Nil) respectively as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2012.

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

26 TOTAL EQUITY

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	General reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Balance at 1 January 2011	404,062	287,628	1,019,874	300,000	511,163	2,522,727
Changes in equity for 2011:						
Profit and total comprehensive income for the year	–	–	–	–	213,326	213,326
Final dividends approved in respect of the previous year *(note 8(b))*	–	–	–	–	(126,991)	(126,991)
Interim dividends declared in respect of the current year *(note 8(a))*	–	–	–	–	(86,585)	(86,585)
Balance at 31 December 2011	404,062	287,628	1,019,874	300,000	510,913	2,522,477
Balance at 1 January 2012	**404,062**	**287,628**	**1,019,874**	**300,000**	**510,913**	**2,522,477**
Changes in equity for 2012:						
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**169,888**	**169,888**
Final dividends approved in respect of the previous year *(note 8(b))*	**–**	**–**	**–**	**–**	**(132,763)**	**(132,763)**
Interim dividends declared in respect of the current year *(note 8(a))*	**–**	**–**	**–**	**–**	**(92,357)**	**(92,357)**
Balance at 31 December 2012	**404,062**	**287,628**	**1,019,874**	**300,000**	**455,681**	**2,467,245**

(b) Share capital

	2012 No. of shares	2012 Amount HK$'000	2011 No. of shares	2011 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.70 each	**700,000,000**	**490,000**	700,000,000	490,000
Issued and fully paid:				
Ordinary shares of HK$0.70 each	**577,231,252**	**404,062**	577,231,252	404,062

(c) Nature and purpose of reserves

(i) The Group

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

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

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

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

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

The accumulated losses attributable to associates at 31 December 2012 were HK$1,324,000 (2011: gains of HK$220,000).

26 TOTAL EQUITY (CONTINUED)

(c) Nature and purpose of reserves (continued)

(ii) The Company

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

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

Distributable reserves of the Company at 31 December 2012, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to HK$598,503,000 (2011: HK$679,995,000).

After the balance sheet date, the directors proposed a final dividend of 25 Hong Kong cents per share (2011: 23 Hong Kong cents per share) amounting to HK$144,308,000 (2011: HK$132,763,000). This dividend has not been recognised as a liability at the balance sheet date.

(d) Capital management

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

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

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

26 TOTAL EQUITY (CONTINUED)

(d) Capital management (continued)

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

	Note	The Group 2012 HK$'000	The Group 2011 HK$'000
Bank loans and overdrafts	*23*	**2,006,695**	1,663,323
Interest-bearing amounts due to holders of non-controlling interests of a subsidiary	*22*	**51,742**	55,666
Less: Cash and bank balances	*20*	**(1,992,253)**	(1,291,971)
Net debts		**66,184**	427,018
Shareholders' equity		**11,072,646**	9,907,580
Net debt-to-shareholders' equity ratio		**0.6%**	4.3%

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 60 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain any collateral from customers. The ageing of trade receivables at 31 December 2012 is summarised in note 18.

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

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

(b) Liquidity risk

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

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

The Group

	Contractual undiscounted cash flow				
	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*	Carrying amount *HK$'000*
At 31 December 2012					
Trade and other payables	**434,302**	**–**	**–**	**434,302**	**434,302**
Amount due to an associate	**10,473**	**–**	**–**	**10,473**	**10,473**
Amounts due to holders of non-controlling interests of subsidiaries	**75,886**	**47,438**	**–**	**123,324**	**123,324**
Bank loans and overdrafts	**1,158,633**	**400,373**	**486,800**	**2,045,806**	**2,006,695**
Sales and rental deposits received	**161,638**	**–**	**–**	**161,638**	**161,638**
Deferred liabilities	**–**	**61,416**	**55,823**	**117,239**	**117,239**
	1,840,932	**509,227**	**542,623**	**2,892,782**	**2,853,671**
At 31 December 2011					
Trade and other payables	462,015	–	–	462,015	462,015
Amount due to an associate	4,412	–	–	4,412	4,412
Amounts due to holders of non-controlling interests of subsidiaries	95,016	59,084	–	154,100	147,264
Bank loans	258,603	581,995	878,724	1,719,322	1,663,323
Sales and rental deposits received	129,085	–	–	129,085	129,085
Deferred liabilities	–	56,596	68,020	124,616	124,616
	949,131	697,675	946,744	2,593,550	2,530,715

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	Contractual undiscounted cash flow				
	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*	Carrying amount *HK$'000*
At 31 December 2012					
Trade and other payables	**88,436**	**–**	**–**	**88,436**	**88,436**
Amount due to an associate	**4,396**	**–**	**–**	**4,396**	**4,396**
Deposits received	**1,499**	**–**	**–**	**1,499**	**1,499**
Bank loans and overdrafts	**290,982**	**–**	**–**	**290,982**	**288,836**
	385,313	**–**	**–**	**385,313**	**383,167**
Financial guarantees issued: – Maximum amount guaranteed *(note 30)*	**1,648,000**	**–**	**–**	**1,648,000**	**–**
At 31 December 2011					
Trade and other payables	76,989	–	–	76,989	76,989
Amount due to an associate	4,412	–	–	4,412	4,412
Deposits received	3,609	–	–	3,609	3,609
Bank loans	102,207	186,003	–	288,210	284,526
	187,217	186,003	–	373,220	369,536
Financial guarantees issued: – Maximum amount guaranteed *(note 30)*	1,388,000	–	–	1,388,000	–

(c) Interest rate risk

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

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

	The Group				The Company			
	2012		2011		**2012**		2011	
	Effective interest rate	**Amount** *HK$'000*	Effective interest rate	Amount *HK$'000*	**Effective interest rate**	**Amount** *HK$'000*	Effective interest rate	Amount *HK$'000*
Floating rate borrowings								
Bank loans	**0.80% – 1.74%**	**1,997,081**	0.86% – 2.01%	1,663,323	**0.95% – 1.20%**	**279,860**	1.10% – 1.15%	284,526
Amounts due to holders of non-controlling interests of a subsidiary	**6.14%**	**47,438**	6.14%	55,666	**–**	**–**	–	–
Total borrowings		**2,044,519**		1,718,989		**279,860**		284,526

(ii) *Sensitivity analysis*

At 31 December 2012, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's and the Company's profit after tax and total equity by approximately HK$4,258,000 (2011: HK$3,576,000) and HK$585,000 (2011: HK$594,000) respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's and the Company's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure the amount of interest-bearing borrowings held by the Group and the Company which expose the Group and the Company to interest rate risk at the balance sheet date. The analysis is performed on the same basis for the year ended 31 December 2011.

(d) Equity price risk

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

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

At 31 December 2012, it is estimated that an increase/decrease of 5% (2011: 5%) in the market value of the Group's listed available-for-sale equity securities, with all other variables held constant, would not affect the Group's profit unless there are impairments. The Group's total equity would have increased/decreased by HK$482,000 (2011: HK$356,000). For the trading securities, it is estimated that an increase/decrease of 5% (2011: 5%) in the market value, with all other variables held constant, would have increased/decreased the Group's profit after tax and total equity by HK$118,000 (2011: HK$3,310,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in market value had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the market values, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in market values, and that all other variables remain constant. The analysis is performed on the same basis for 2011.

(e) Foreign currency risk

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

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Foreign currency risk (continued)

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

The Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. As at 31 December 2012, the Group's and the Company's cash and bank balances denominated in RMB amounted to HK$319,569,000 (2011: HK$178,980,000) and HK$319,494,000 (2011: HK$178,910,000) respectively.

At 31 December 2012, it is estimated that an increase/decrease of 5% (2011: 5%) in the foreign exchange rate of Hong Kong dollars against RMB would increase/decrease the Group's and the Company's profit after tax and total equity by HK$15,979,000 (2011: HK$8,949,000) and HK$15,975,000 (2011: HK$8,946,000) respectively.

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group and the Company which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2011.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

(f) Fair values (continued)

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

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

The Group

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets				
Available-for-sale securities:				
– Listed equity securities in Hong Kong	**9,636**	**–**	**–**	**9,636**
– Unlisted debt securities in overseas	**–**	**240,598**	**–**	**240,598**
– Unlisted investment fund	**–**	**31,977**	**–**	**31,977**
Trading securities:				
– Listed securities in Hong Kong	**2,828**	**–**	**–**	**2,828**
	12,464	**272,575**	**–**	**285,039**

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

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

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

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011. Amounts due from/(to) subsidiaries, associates, jointly controlled entity and holders of non-controlling interests of subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

28 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2012 not provided for in the financial statements were as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Future expenditure relating to properties:		
Contracted for	**23,468**	22,388
Authorised but not contracted for	**107,365**	29,274
	130,833	51,662

29 OPERATING LEASE COMMITMENTS

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**55,466**	54,362	**5,852**	5,420
After 1 year but within 5 years	**58,055**	71,818	**9,249**	15,101
	113,521	126,180	**15,101**	20,521

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

30 CONTINGENT LIABILITIES

The Company has given guarantees in respect of banking facilities of certain wholly owned subsidiaries to the extent of HK$2,057,000,000 (2011: HK$1,807,000,000). The banking facilities were utilised to the extent of HK$1,648,000,000 (2011: HK$1,388,000,000 at 31 December 2012. As at balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group incurred a fee of HK$2,495,000 (2011: HK$1,862,000) to a subsidiary of its major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong which was calculated at a certain percentage of the gross rental income from the Group's investment properties during the year.

During the year end 31 December 2011, the Group received licence fee and building management fee of HK$763,000 from a subsidiary of its major shareholders for temporary leasing of a shop unit in Miramar Shopping Centre under normal commercial term.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder amounted to HK$16,766,000 (2011: HK$18,214,000) in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.

The amounts due to these companies at the year end amounted to HK$1,030,000 (2011: amount due from of HK$5,269,000).

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group entered into management agreements with certain affiliated companies of its major shareholder for the provision of management service to a service apartment in Hong Kong under normal commercial terms. The management fee was calculated at a certain percentage of revenue generated from that service apartment for the year the service provided. Total management fees for the year received/receivable amounted to HK$2,232,000 (2011: HK$2,092,000). The net amounts due from these companies at the year end amounted to HK$15,334,000 (2011: HK$9,265,000).

(c) The Company and its wholly-owned subsidiaries made net advance to certain associates totalling HK$13,000 (2011: received net payment of HK$12,656,000) during the year. Such balances are unsecured, interest-free and have no fixed terms of repayment. The amounts due from these associates at the year end amounted to HK$42,002,000 (2011: HK$41,989,000).

(d) The Group entered into a lease agreement with a subsidiary of its major shareholder for the leasing of Shop 2004, 2/F, Miramar Shopping Centre under the normal commercial terms. Total rental and building management fee received/receivable for the year amounted to HK$3,169,000 (2011: HK$1,668,000). There was no balance due from/to this company at the year end (2011: amount due from of HK$422,000). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(e) The Group entered into a lease agreement with an associate of its major shareholder for the leasing of Shop Nos. 3101-3107 on Level Three and certain storerooms and advertisement lightboxes of ifc Mall under normal commercial terms. Total rental and building management fee expense for the year amounted to HK$13,863,000 (2011: HK$13,560,000) including contingent rental of HK$185,000 (2011: HK$104,000). There was no balance due from/to this company at the year end (2011: HK$Nil). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(f) The Group entered into lease agreements with an associate of its major shareholder for the leasing of Office Units 1801-08, 1812-16, and 1817-18, 18/F, Miramar Tower under normal commercial terms. Total rental and building management fee received/receivables for the year amounted to HK$11,669,000 (2011: HK$10,675,000). The amount due from this company at the year end amounted to HK$33,000 (2011: HK$16,000). Such transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(g) The Group entered into lease agreements with a subsidiary of its major shareholder for the leasing of Shop 503A, 503B, 503C and 501-502, 5/F., Miramar Shopping Centre and Office Units 609-12, 6/F., Miramar Tower under normal commercial terms. Total rental and building management fee received/receivables for the year amounted to HK$19,925,000 (2011: HK$11,664,000). The amount due from this company at the year end amounted to HK$81,000 (2011: HK$258,000). Such transactions are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(h) The Group entered into a lease agreement with an associate of its major shareholder for the leasing of Shop 3013, Portion of Podium Roof and Fan Room, 3/F., Miramar Shopping Centre under normal commercial terms. Total rental and building management fee received/receivables for the year amounted to HK$9,946,000 (2011: HK$9,742,000). The amount due from this company at the year end amounted to HK$6,000 (2011: HK$8,000). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(i) The Group entered into a lease agreement with a subsidiary of its major shareholder for the leasing of Units Nos, 201-05, Level Two of West Tower, World Financial Centre, the PRC under the normal commercial terms. Total rental and building management fee paid/payable for the year amounted to HK$6,306,000 (2011: HK$4,608,000). There was no balance due from/to that company at the year end (2011: HK$Nil). Such transaction is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(j) During the year ended 31 December 2011, the Group entered into a sales and purchases agreement with an affiliated company of its major shareholder for disposal of an associate under normal commercial term. The total consideration was amounted to HK$960,000. The amount due from this company at 31 December 2011 amounted to HK$76,000. Such transaction was considered to be a related party transaction and also constituted a connected transaction as defined under the Listing Rules.

(k) During the year, the remuneration for the directors and the key management personnel of the Group amounted to HK$14,229,000 (2011: HK$21,348,000) as disclosed in notes 5 and 6. The remuneration of directors and senior management is determined by the Remuneration Committee having regard to the performance and responsibilities of individuals and market trends.

32 POST BALANCE SHEET EVENTS

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

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. Of these, the following which may be relevant to the Group:

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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidation financial statements except for the following:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income will be modified accordingly when the amendments are adopted for the first time.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those required in the current standards. The Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time in 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 financial statements.

GROUP'S FIVE-YEAR FINANCIAL SUMMARY

	For the twelve months ended 31 December 2012	For the twelve months ended 31 December 2011	For the twelve months ended 31 December 2010	For the nine months ended 31 December 2009	For the twelve months ended 31 March 2009
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million* (Restated)	*HK$'million* (Restated)
Results					
Turnover	**2,974**	2,496	2,112	1,303	1,616
Profit attributable to shareholders	**1,377**	1,325	784	260	142
Assets and liabilities					
Fixed assets	**11,380**	10,585	9,445	8,923	8,541
Interest in associates	**2**	4	7	7	12
Interest in a jointly controlled entity	**8**	6	1	–	–
Available-for-sale securities – non-current	**250**	7	6	17	10
Deferred tax assets	**33**	23	18	10	15
Net current assets	**951**	1,169	327	3	225
Total assets less current liabilities	**12,624**	11,794	9,804	8,960	8,803
Bank loans – non-current	**(1,041)**	(1,423)	(647)	(542)	(515)
Deferred liabilities	**(117)**	(125)	(87)	(95)	(89)
Amounts due to holders of non-controlling interests of a subsidiary	**(47)**	(56)	(54)	–	–
Deferred tax liabilities	**(218)**	(178)	(151)	(135)	(124)
Net assets	**11,201**	10,012	8,865	8,188	8,075
Capital and reserves					
Share capital	**404**	404	404	404	404
Reserves	**10,668**	9,503	8,357	7,698	7,593
Total equity attributable to shareholders of the Company	**11,072**	9,907	8,761	8,102	7,997
Non-controlling interests	**129**	105	104	86	78
Total equity	**11,201**	10,012	8,865	8,188	8,075
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Per share					
Earnings	**2.39**	2.30	1.36	0.45	0.24
Dividends attributable to the year/period	**0.41**	0.38	0.37	0.23	0.32
Net asset value	**19.40**	17.35	15.36	14.18	13.99

Note: As a result of early adoption of the amendments to HKAS 12, *Income taxes* in 2010, figures for the nine months ended 31 December 2009 and twelve months ended 31 March 2009 have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to certain investment properties of the Group carried at fair value.

GROUP PROPERTIES
at 31 December 2012

1 MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	Stage	Site area	Group's interest *(%)*
Outside Hong Kong				
Land near Roseville area close by Sacramento California U.S.A.	Commercial and Residential	Development being planned	71 acres	88

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the "Meeting") of the Company will be held at The Ballroom, 18/F, The Mira Hong Kong, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 6 June 2013 at 12:00 noon to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 31 December 2012.

2. To declare a Final Dividend.

3. To re-elect Directors.

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

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

   (A) **"THAT:**

   (a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (b) of this Resolution) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate nominal amount of the share capital of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly;

   (b) for the purposes of this Resolution:

   "Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

   (i) the conclusion of the next Annual General Meeting of the Company;

   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

   (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

"Rights Issue" means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

(B) **"THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase ordinary shares of HK$0.70 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution 5(A) as set out in the notice convening this Meeting."

(C) **"THAT:**

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution 5(A) as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution 5(B) as set out in the notice convening this Meeting provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution."

By Order of the Board
CHU KWOK SUN
Corporate Secretary

Hong Kong, 23 April 2013

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

Notes:

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

(2) The Register of Members of the Company will be closed from Tuesday, 4 June 2013 to Thursday, 6 June 2013, both days inclusive, during which period no requests for transfer of shares will be accepted. In order to determine members who are entitled to attend and vote at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 3 June 2013.

(3) The Register of Members of the Company will also be closed from Friday, 14 June 2013 to Monday, 17 June 2013, both days inclusive, during which period no requests for transfer of shares will be accepted. In order to qualify for the proposed final dividend for the year, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 13 June 2013.

(4) An explanatory statement containing the information necessary to enable the members to make an informed decision as to whether to vote for or against Ordinary Resolutions 5(A) to 5(C) as set out in this notice will be sent to members of the Company together with the Company's 2012 Annual Report.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr the Hon. LEE Shau Kee, GBM *(Chairman)*
Mr LEE Ka Shing
Mr Richard TANG Yat Sun
Mr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

Non-Executive Directors

Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee
Mr Tony NG *(retired on 7 June 2012)*

Independent Non-Executive Directors

Dr David SIN Wai Kin *(Vice Chairman)*
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung
(re-designated on 6 December 2012)
Mr Thomas LIANG Cheung Biu
(re-designated on 6 December 2012)

Audit Committee

Dr Timpson CHUNG Shui Ming *(Committee Chairman)*
Dr David SIN Wai Kin
Mr WU King Cheong
Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On

Remuneration Committee

Dr Timpson CHUNG Shui Ming *(Committee Chairman)*
Dr the Hon. LEE Shau Kee, GBM
Dr David SIN Wai Kin
Mr Richard TANG Yat Sun
Mr WU King Cheong

Nomination Committee

Dr the Hon. LEE Shau Kee, GBM *(Committee Chairman)*
Dr David SIN Wai Kin
Mr LEE Ka Shing
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming

Chief Executive Officer

Mr LEE Ka Shing

Chief Operations Officer

Mr Felix SEE Chi Kwok

Chief Financial Officer

Mr Allen LIM Kean Kee

Joint Company Secretaries

Mr Allen LIM Kean Kee
Mr Charles CHU Kwok Sun

Auditors

KPMG

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Corporate Bank, Ltd.

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Registered Office

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

Share Listing

The Stock Exchange of Hong Kong Limited
(Stock Code: 71)

Website

http://www.miramar-group.com

Miramar Hotel and Investment Company, Limited
15/F, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong
www.miramar-group.com