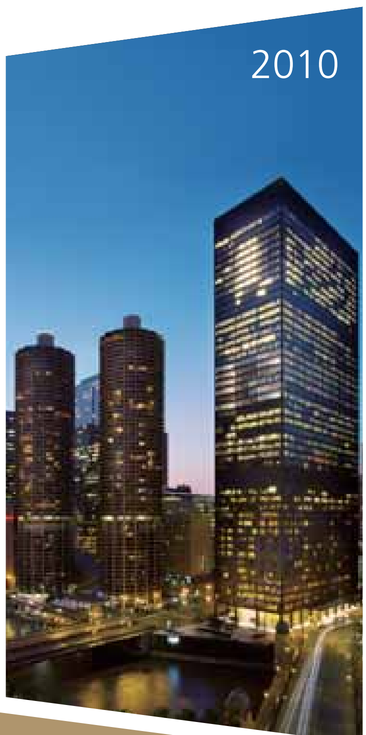
鷹君集團有限公司

Great Eagle Holdings Limited

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



STRATEGIC VISION
GROWING NETWORK

ANNUAL REPORT 2013

GROUP PROFILE

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

The Group's principal holdings include a 60.35% interest (as at 31 December 2013) in Champion Real Estate Investment Trust, and a 57.72% interest (as at 31 December 2013) in Langham Hospitality Investments & Langham Hospitality Investments Limited (LHI).

Champion Real Estate Investment Trust owns 1.64 million square feet of Grade-A commercial office space in Citibank Plaza in the Central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. As for LHI, it owns three high quality hotels in the heart of Kowloon, the 498-room The Langham, Hong Kong in the prime shopping district of Tsimshatsui, the 666-room Langham Place Hotel, Hong Kong is located in the prime shopping area of Mongkok and is connected to the Langham Place Office Tower and Mall, and the 465-room Eaton, Hong Kong, which is located on the busy arterial Nathan Road.

In the United States, the Group owns four office buildings with a total floor area of 945,000 square feet.

The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive international hotel portfolio currently comprises twenty luxury properties with approximately 8,000 rooms, including fourteen luxury hotels branded under The Langham and Langham Place brands in the gateway cities of Hong Kong, Shanghai, Beijing, Shenzhen, Guangzhou, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne and Auckland; five Eaton hotels in Hong Kong, Shanghai, Toronto and New Delhi; and the 88 Xintiandi in Shanghai. All the hotels are managed by Langham Hotels International Limited, which is a wholly-owned subsidiary of the Great Eagle Group.

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

The Group had a core profit after tax of approximately HK$1,680 million in the financial year 2013 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK$57 billion as of 31 December 2013.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

Non-executive Directors
* Independent Non-executive Directors

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

LO Ka Shui
LO Kai Shui
KAN Tak Kwong

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Mayer Brown JSM
Clifford Chance
Appleby

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

WEBSITE

www.GreatEagle.com.hk

STOCK CODE

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DIVIDEND NOTICE

FINAL DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK43 cents per share (2012: HK43 cents per share) and a special final dividend of HK50 cents per share (2012: Nil) for the year ended 31 December 2013 to the Shareholders whose names appear on the Registers of Members on Wednesday, 14 May 2014 subject to the approval of the Shareholders at the forthcoming 2014 Annual General Meeting.

Taken together with the interim dividend of HK23 cents per share and the special interim dividend of HK$1.00 per share paid on 16 October 2013, the total dividend for the year 2013 is HK$2.16 per share (2012 total dividend: HK66 cents per share, comprising an interim dividend of HK23 cents and a final dividend of HK43 cents).

Shareholders will be given the option to receive the proposed 2013 final dividend and special final dividend in new shares in lieu of cash. The scrip dividend arrangement is subject to: (1) the approval of proposed 2013 final dividend and special final dividend at the 2014 Annual General Meeting; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the scrip dividend arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in May 2014. Dividend warrants and share certificates in respect of the proposed 2013 final dividend and special final dividend are expected to be despatched to the Shareholders on 18 June 2014.

CLOSURE OF REGISTERS OF MEMBERS

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

(i) Entitlement to attend and vote at the 2014 Annual General Meeting

For the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the 2014 Anuual General Meeting, the Registers of Members of the Company will be closed from Thursday, 24 April 2014 to Wednesday, 30 April 2014, both days inclusive.

In order to be eligible to attend and vote at the 2014 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 April 2014.

(ii) Entitlement to the proposed 2013 final dividend and special final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2013 final dividend and special final dividend, the Registers of Members of the Company will be closed from Friday, 9 May 2014 to Wednesday, 14 May 2014, both days inclusive.

In order to qualify for the proposed 2013 final dividend and special final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 May 2014.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

	Year ended 31 December		
Key Financials on Income Statement	**2013 HK$ Million**	2012 HK$ Million (restated)	Change
Based on core business			
Revenue based on core business	**5,418.9**	5,679.8	– 4.6%
Core profit after tax attributable to equity holders	**1,679.9**	1,802.1	– 6.8%
Core profit after tax attributable to equity holders (per share)	**HK$2.63**	HK$2.86	
Based on statutory accounting principles			
Revenue based on statutory accounting principles	**7,301.0**	6,746.6	8.2%
Statutory Profit attributable to equity holders	**2,399.5**	3,551.8	– 32.4%
Interim Dividend (per share)	**HK$0.23**	HK$0.23	
Special Interim Dividend (per share)	**HK$1.00**	n.a.	
Final Dividend (per share)	**HK$0.43**	HK$0.43	
Special Final Dividend (per share)*	**HK$0.50**	n.a.	
Total Dividend (per share)	**HK$2.16**	HK$0.66	

* Special Final Dividend related to the spin off in 2013

On the basis of core business, figures excluded fair value changes relating to the Group's investment properties and financial assets, and were based on attributable distribution income from Champion REIT and LHI, for which the Group believes is a more meaningful measure on the return from our investments in entities that focused principally on distributions. Whereas financial figures prepared under statutory accounting principles were based on applicable accounting standards, which included fair value changes and had consolidated financial figures of Champion REIT and LHI. The management's discussion and analysis focuses on core businesses of the Group.

Key Financials on Balance Sheet	As at the end of December 2013	June 2013
Based on share of Net Assets of Champion REIT and LHI (core balance sheet)		
Net gearing	**Net Cash**	Net Cash
Book value (per share)	**HK$89.6**	HK$87.8
Based on statutory accounting principles		
Net gearing	**31.8%**	16.0%
Book value (per share)	**HK$78.1**	HK$76.5

As for the Group's balance sheet prepared under statutory accounting principles, the entire debts of Champion REIT and LHI were consolidated. However, the Group only owns a 60.35% and 57.72% equity stake of Champion REIT and LHI respectively as at the end of 2013. As the Group has no obligation in respect of the debts of Champion REIT and LHI, the net gearing ratio that is calculated upon the figures prepared under statutory accounting principles overstated the Group's underlying indebtedness position. In order to better reflect the underlying financial position of the Group, the Group's core balance sheet is derived from our share of net assets in Champion REIT and LHI.

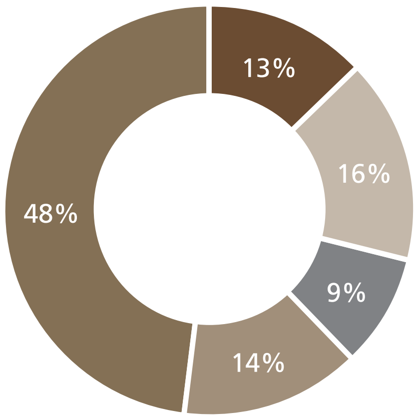
Furthermore, under statutory accounting principles, as the Group still manages and operates the Hong Kong hotels that are owned by LHI. Hence, the Group's equity stake in LHI is continued to be stated at cost less accumulated depreciation and cannot mark-to-market, the impact of which was significantly understating the value of our investment in LHI. In comparison, the Group's core balance sheet is derived from our share of net assets of LHI. Hence, as the hotels owned by LHI are classified as investment properties, the values of the hotels have been marked to market. As such, the Group's core balance sheet should better reflect the scale of the Group's net asset base. More details of the balance sheet derived from our share of net assets of Champion REIT and LHI are on page 8 of this Annul Report.

FINANCIAL CALENDAR

2013 Interim Results Announcement	: 18 August 2013
Payment of 2013 Interim Dividend of HK23 cents per share and Special Interim Dividend of HK$1.00 per share	: 16 October 2013
2013 Annual Results Announcement	: 26 February 2014
Closure of Registers of Members	
• For ascertaining Shareholders' entitlement to attend and vote at the 2014 Annual General Meeting	: 24 April 2014 – 30 April 2014 *(both days inclusive)*
• For ascertaining Shareholders' entitlement to the proposed 2013 Final Dividend and Special Final Dividend	: 9 May 2014 – 14 May 2014 *(both days inclusive)*
2014 Annual General Meeting	: 30 April 2014
Ex-dividend Date	: 7 May 2014
Record Date for proposed 2013 Final Dividend and Special Final Dividend	: 14 May 2014
Payment of 2013 Final Dividend of HK43 cents per share and Special Final Dividend of HK50 cents per share	: 18 June 2014

ASSETS EMPLOYED

Total Assets HK$78,463 million



- Property investment
- Hotel operation
- Share of assets of Champion REIT
- Share of assets of LHI
- Other operations

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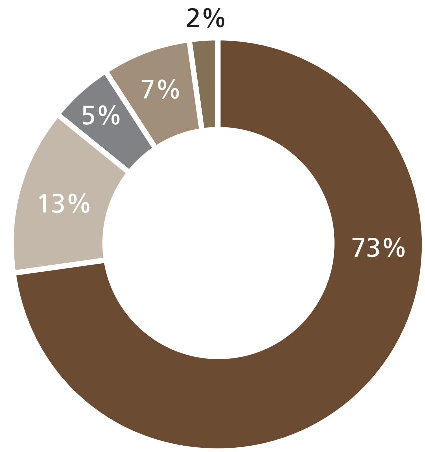
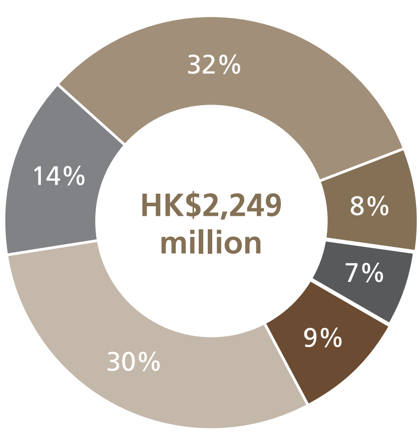


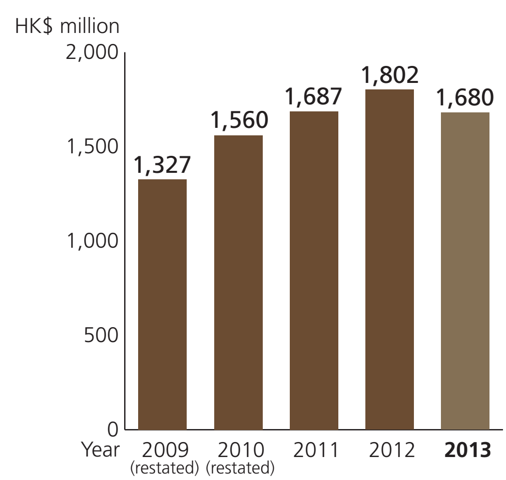
- Equity attributable to equity holders
- Share of liabilities of Champion REIT
- Share of liabilities of LHI
- Non-current liabilities
- Current liabilities

OPERATING INCOME FROM CORE BUSINESS



- Net rental income
- Hotel EBITDA
- Management fee income from Champion REIT
- Distribution from Champion REIT
- Distribution from LHI
- Operating income from other operations

CORE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Year ended 31 December		
	2013 HK$ million	2012 HK$ million (restated)	Change
Revenue from core business			
Gross Rental Income	**334.5**	301.1	11.1%
Hotels Division*	**3,480.7**	4,094.7	-15.0%
Management Fee Income from Champion REIT	**316.3**	272.8	15.9%
Distribution Income from Champion REIT^	**716.9**	686.5	4.4%
Distribution Income from LHI^	**189.0**	–	n.a.
Other operations	**381.5**	324.7	17.5%
	5,418.9	5,679.8	-4.6%
Net Rental Income	**209.6**	196.4	6.7%
Hotel EBITDA*	**672.9**	1,045.8	-35.7%
Management Fee Income from Champion REIT	**316.3**	272.8	15.9%
Distribution Income from Champion REIT^	**716.9**	686.5	4.4%
Distribution Income from LHI^	**189.0**	–	n.a.
Operating income from other operations	**144.6**	100.5	43.9%
Operating Income from core business	**2,249.3**	2,302.0	-2.3%
Depreciation and amortisation	**(122.2)**	(134.9)	-9.4%
Administration expenses	**(281.2)**	(237.5)	18.4%
Other income (including Interest income)	**155.5**	142.1	9.4%
Finance costs	**(125.7)**	(107.6)	16.8%
Share of results of associates	**11.1**	39.1	-71.6%
Share of results of a Joint Venture	**(36.7)**	(9.9)	270.7%
Core profit before taxation	**1,850.1**	1,993.3	-7.2%
Taxes	**(168.7)**	(190.4)	-11.4%
Core profit after tax	**1,681.4**	1,802.9	-6.7%
Non-controlling interest	**(1.5)**	(0.8)	87.5%
Core profit after tax attributable to equity holders	**1,679.9**	1,802.1	-6.8%

* Hotel income includes contribution from the Hong Kong hotels. It should be noted that upon the public listing of LHI on 30 May 2013, the Group's interests in the Hong Kong hotels were disposed to LHI. Hotel income from the Hong Kong hotels for 2013 therefore covered the period from 1 January 2013 to 29 May 2013.

^ Under the Group's statutory profit, final results of Champion REIT and LHI are consolidated on the Group's income statement. However, the Group's core profit is based on attributable distribution income from Champion REIT and LHI.

SEGMENT ASSETS AND LIABILITIES (Based on net assets of Champion REIT and LHI)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

31 DECEMBER 2013

	Assets HK$ million	Liabilities HK$ million	Net Assets HK$ million
Great Eagle operations (note 1)	**30,399.3**	**7,027.3**	**23,372.0**
Champion REIT (note 2)	**37,914.5**	**10,156.5**	**27,758.0**
LHI (note 2)	**10,148.8**	**3,989.9**	**6,158.9**
	78,462.6	**21,173.7**	**57,288.9**

31 DECEMBER 2012

	Assets HK$ million (restated)	Liabilities HK$ million (restated)	Net Assets HK$ million (restated)
Great Eagle operations (note 1)	22,159.7	5,345.3	16,814.4
Champion REIT (note 2)	34,653.3	8,696.7	25,956.6
	56,813.0	14,042.0	42,771.0

Note:

1. Included in the assets and liabilities are cash of HK$8,893,354,000 and principal debts of HK$5,082,384,000, representing net cash of HK$3,810,970,000 as at 31 December 2013.

2. Assets and liabilities of Champion REIT and LHI are based on published financial information of Champion REIT and LHI and the respective interests held by Great Eagle Holdings Limited, being 60.35% and 57.72%, respectively (31 December 2012: 57.86% interests in Champion REIT held). Additionally, the assets of LHI include the hotel properties' appraised value as of 31 December 2013.

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Year ended 31 December		
	2013 HK$ million	2012 HK$ million (restated)	Change
Revenue based on statutory accounting principles			
Gross Rental Income	**334.5**	301.1	11.1%
Hotels Division	**4,434.4**	4,094.7	8.3%
Management Fee Income from Champion REIT	**316.3**	272.8	15.9%
Other operations	**381.5**	324.7	17.5%
Hotel Management Fee Income from LHI	**47.1**	–	n.a.
Gross Rental income of Champion REIT	**2,179.3**	2,059.0	5.8%
Gross Rental income of LHI	**471.8**	–	n.a.
Elimination on Intra-Group transactions	**(863.9)**	(305.7)	182.5%
Consolidated total revenue	**7,301.0**	6,746.6	8.2%
Net Rental Income	**209.6**	196.4	6.7%
Hotel EBITDA	**1,084.1**	1,061.6	2.1%
Net Rental income from Champion REIT	**1,801.3**	1,709.5	5.4%
Operating income from other operations	**155.5**	110.3	41.0%
Operating Income	**3,250.5**	3,077.8	5.6%
Depreciation and amortisation	**(403.7)**	(372.6)	8.3%
Fair value changes on Investment properties	**1,119.3**	3,870.5	-71.1%
Fair value changes on Derivative Financial Instruments	**309.0**	(148.9)	n.m.
Fair value changes of financial assets designated at fair value through Profit or Loss	**37.2**	–	n.a.
Gain on conversion of convertible bonds of Champion REIT	**29.3**	–	n.a.
Reversal of impairment on a hotel property	**149.2**	–	n.a.
Administration expenses	**(340.9)**	(255.1)	33.6%
Other income (including Interest income)	**245.5**	55.7	340.7%
Finance costs	**(545.2)**	(404.1)	34.9%
Share of results of associates	**(9.5)**	21.2	n.m.
Share of results of a Joint Venture	**(36.7)**	(9.9)	270.7%
Statutory profit before taxation	**3,804.0**	5,834.6	-34.8%
Taxes	**(426.3)**	(443.0)	-3.8%
Statutory profit after tax	**3,377.7**	5,391.6	-37.4%
Non-controlling interest	**(978.2)**	(1,839.8)	-46.8%
Statutory profit attributable to equity holders	**2,399.5**	3,551.8	-32.4%

OVERVIEW

The year 2013 marked several important milestones for the Group's future development with the most defining event being the spin-off of the Hong Kong hotels in May. Following which, the Group completed the acquisition of a hotel in New York, and then announced our intention to acquire and complete the acquisition of a prime office property in downtown San Francisco. More importantly, we have achieved these milestones against the back drop of volatile global economic conditions in 2013, which demonstrated our execution capabilities and strategic priorities to continuously recycling the Group's capital. Furthermore, given the successful spin off in 2013, a special interim dividend of HK$1 per share was paid for the first half period, and as a final distribution related to the spin-off in 2013, the Board declared a special final dividend of HK$0.50 per share for 2013, taking special dividend to HK$1.50 per share for 2013.

The Langham, Hong Kong

In addition to the rebranding of the newly acquired New York hotel as a Langham Place in May 2013, we opened The Langham Chicago and rebranded the Toronto hotel to our own Eaton brand in July 2013. The increased penetration of our brands to these gateway cities helped to enforce Langham as a leading international hotel brand. Last but not least, we launched the pre-sale on parts of the apartments in our Dalian project in September 2013. All-in-all, these key business developments have laid a solid foundation for the Group's future earnings. Nonetheless, the Group's core earnings for 2013 were primarily affected by some one-off items.

The Group's core earnings for 2013 dropped 6.8% year-on-year to HK$1,680 million in 2013. Although the underlying performances for the majority of our businesses remained intact in 2013, core earnings were impacted by several factors, including (i) lower attributable income from the spun off Hong Kong hotels, (ii) booking of pre-opening and re-branding expenses for our hotels in North America and (iii) an increase in administrative expense related to the spin off exercise and professional fees incurred for feasibility studies on various projects.

For the financial year ended 31 December 2013, revenue base on core business of the Group amounted to HK$5,419 million, representing a decline of 4.6% year-on-year. The decline was primarily due to a HK$614 million drop in revenue from the Hotels Division, given the Hong Kong hotels were spun-off to LHI in May 2013. After the spun off, the returns on our equity stake in the three Hong Kong hotels were reflected through our investment in LHI, which resulted in a distribution income of HK$189 million in 2013.

Core operating income dropped 2.3% year-on-year to HK$2,249 million in 2013. The milder drop in operating profit as compared to revenue was due to increased contributions from segments with higher margins such as management fee income and distribution income. To a lesser extent, improvements in margins from businesses in other operations also contributed to a smaller decline in core operating income in 2013. It should be noted that the increase in distribution income from Champion REIT was due to our increased shareholdings in the REIT, as the distribution per unit declared by Champion REIT was only up marginally in 2013. Nonetheless, the growth in such income was not enough to offset the decline in Earnings before interest, taxes, depreciation and amortization (EBITDA) of the Hotels Division, which resulted in an overall decline in core operating income in 2013.

In addition to the decline in core operating income, an increase in administration expense in association with the spin off exercise, as well as professional fees incurred on feasibility studies for various projects, together with an increase in losses from a joint venture (previously called jointly controlled entity) and higher interest expense also contributed to the decrease in core profit.

The increase in losses of a joint venture, which holds the Dalian mixed-use development project, was due to increased marketing and administrative expenses incurred for the presale of the residential apartments. Whilst interest expense was also higher due to a combination of higher interest rates and additional interest expense incurred in relation to acquisitions of the properties in New York and San Francisco in 2013.

As our investment in Champion REIT's convertible bonds were converted to units in August 2012, no interest income related to such convertible bonds was recorded in 2013. However, interest income achieved by the Group in 2013 was still higher than that booked in 2012. Such interest income was primarily derived from the deposits of the Group's enlarged cash holdings after the spin-off of the Hong Kong hotels in May 2013. Overall, core profit attributable to Shareholders amounted to HK$1,680 million, representing a decline of 6.8% year-on-year.

In terms of development, apart from executing projects that were already in the pipeline during the second half of 2013, we had selectively pushed ahead with our plan to grow our asset base and acquired a prime office property in the heart of down town San Francisco for US$179 million. At current, we are actively evaluating various investment opportunities, and in particular, we will be targeting those projects that will either be accretive to the Group's net asset value, or that are expected to have a synergistic effect with our current businesses. In the near term, we see better risk-return adjusted real estate investment opportunities overseas, especially in the U.S., given undemanding asking prices. Should the U.S. economy continues to recover, this will lead to further growth in capital values going forward.

In the interim, in order to enhance the return on our cash holdings, a majority of the cash were placed in short term Renminbi deposits bearing higher interest, whereas a small portion of the cash holdings were invested in other fixed income, equities or equity related investments. Whilst we try to enhance the return on our cash holdings, we only conduct such investments in the most prudent and cautious manner. Based on the definition of our core profit, only realized gains/losses or interest incomes from these investments were recognised in 2013's core profit. For the sake of clarity, non-realized exchange gains in relation to these investments were not included in core profit.

HOTELS DIVISION

	Year ended 31 December		
	2013 HK$ million	2012 HK$ million	Change
Hotel Revenue			
Hong Kong^	**656.3**	1,620.0	-59.5%
Europe	**553.0**	528.7	4.6%
North America	**1,314.6**	1,132.5	16.1%
Australia/New Zealand	**831.1**	756.3	9.9%
Others (including hotel management income)	**125.7**	57.2	119.8%
Total Hotel Revenue	**3,480.7**	4,094.7	-15.0%
Hotel EBITDA			
Hong Kong^	**254.8**	642.7	-60.4%
Europe	**153.7**	147.5	4.2%
North America	**21.9**	109.0	-79.9%
Australia/New Zealand	**137.7**	122.4	12.5%
Others (including hotel management income)	**104.9**	24.2	333.5%
Total Hotel EBITDA	**672.9**	1,045.8	-35.7%

^ Upon the public listing of LHI on 30 May 2013, the Group's interests in the Hong Kong hotels were disposed to LHI. Hotel income contribution from the Hong Kong hotels for 2013 therefore covered the period from 1 January 2013 to 29 May 2013.

HOTELS PERFORMANCE

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
The Langham, Hong Kong	**495**	495	**88.9%**	86.1%	**2,266**	2,239	**2,013**	1,927
Langham Place Hotel, Hong Kong	**652**	653	**90.7%**	89.2%	**1,883**	1,866	**1,707**	1,665
Eaton Hotel, Hong Kong	**452**	445	**95.1%**	94.9%	**1,208**	1,198	**1,149**	1,138
The Langham, London	**380**	379	**80.7%**	76.3%	**278**	274	**224**	209
The Langham, Boston	**318**	318	**75.1%**	67.1%	**242**	242	**182**	163
The Langham Huntington, Pasadena	**380**	380	**74.8%**	72.7%	**228**	219	**170**	159
The Langham, Chicago^	**239**	N.A.	**46.8%**	N.A.	**291**	N.A.	**136**	N.A.
Langham Place, Fifth Avenue, New York*	**214**	N.A.	**81.4%**	N.A.	**627**	N.A.	**511**	N.A.
Eaton Chelsea, Toronto	**1,590**	1,590	**68.7%**	70.4%	**124**	125	**85**	88
The Langham, Melbourne	**377**	374	**85.7%**	81.9%	**277**	261	**238**	214
The Langham, Sydney	**96**	95	**82.9%**	77.3%	**291**	296	**241**	229
The Langham, Auckland	**410**	411	**76.3%**	70.1%	**177**	181	**135**	127
The Langham, Xintiandi, Shanghai (33.3% owned)	**356**	350	**58.8%**	58.1%	**1,696**	1,551	**997**	901

^ From 10 July 2013 to 31 December 2013

* From 25 September 2013 to 31 December 2013

As the three hotels in Hong Kong were spun off into LHI on 30 May 2013, these hotels had only contributed just less than five months to operating income of the Group's Hotels Division in 2013, which resulted in a decline of income for the Hong Kong hotels. In addition to lower attributable income from the spun off hotels, the Group also booked pre-opening and re-branding expenses for the hotels in North America, which also led to a lower EBITDA for the Hotel Division in 2013.

Overall, revenue from the Hotel Division declined by 15% year-on-year to HK$3,480.7 million in 2013, whilst EBITDA of the Hotels Division declined 35.7% year-on-year to HK$672.9 million in 2013. Nonetheless, if we exclude the impact of the pre-opening and re-branding expenses, a majority of the overseas hotels had a solid EBITDA growth in 2013.

From 30 May 2013 onward, the financial returns on our 57.72% equity stake in the three hotels in Hong Kong were reflected through our investment in LHI, under the section "Investment in LHI". While the financial figures for the Hong Kong hotels referred to above were compiled for the period up to 29 May 2013, hotels performance were discussed on a twelve month period from January to December of 2013, so as to provide a more meaningful comparative operational performance analysis.

HONG KONG HOTELS

The following discussion on the operational performance of the hotels was based on a twelve-month period from 1 January to 31 December of 2013. The comparisons were based on a twelve-month period so as to minimize distortions arising from seasonality and thus provided a more meaningful comparative operational performance analysis of the hotels.

The Langham, Hong Kong

The Langham, Hong Kong, witnessed softer demand from Europe, Australia and Japan. The softer demand from Australia and Japan was due to the depreciation of their currencies, which had depreciated markedly in 2013. Nonetheless, The Langham, Hong Kong continued to drive more business from individual tourist arrivals from Mainland China, and saw some rebound in travelers from the U.S. Therefore, The Langham, Hong Kong was able to achieve a 4.5% growth in RevPAR in 2013, and outperformed the overall High Tariff A hotel market in 2013.

For the year 2013, its occupancy increased by 2.8 percentage points in 2013 to 88.9% (2012: 86.1%) while average room rate increased 1.2% year-on-year to HK$2,266 (2012: HK$2,239).

At The Langham, Hong Kong, revenue from food and beverage rose 3% year-on-year in 2013 and was mainly driven by a higher average check as well as an overall improvement in the catering business. However compared with the growth seen in the first half of the year, business from banqueting was weaker in the second half. It was also worth noted that in 2013, the T'ang Court reclaimed its two star Michelin rating.

Langham Place Hotel, Hong Kong

Langham Place Hotel, Hong Kong, saw a decline in demand for rooms from Australia and Japan and also witnessed softer demand from some other long haul markets. Despite of these shortfalls, the hotel shifted its focus to accommodate a larger proportion of leisure travelers from Mainland China, as well as other Asian markets, resulting in an occupancy of 90.7% in 2013. For the year 2013, occupancy increased by 1.5 percentage points to 90.7% (2012: 89.2%) while average room rate increased 0.9% year-on-year to HK$1,883 (2012: HK$1,866).

For Langham Place Hotel, Hong Kong, revenue from food and beverage saw a 2% year-on-year growth. Given the slow pick up in wedding banquets in the second half of 2013, the hotel accommodated more corporate and social catering events. Nonetheless, business at the refurbished Michelin-starred Ming Court Chinese restaurant has gained momentum.

Eaton Hotel, Hong Kong
(Rebranded from Eaton Smart in February 2013)

Among the three Hong Kong hotels, Eaton, Hong Kong accommodated most of the newly added travelers arrivals from Mainland China. Other than the growth in arrival from Mainland China, with its family rooms and the positioning of the hotel towards budget travelers, the hotel also attracted arrivals from some European countries like Germany and Spain. With completion of the renovations on the last one-fifth of the guest rooms in the second half of 2013, the new rooms helped to increase the competitiveness of the hotel, and underpinned further growth in its market share.

Revenue from food and beverages rose 2% year-on-year in 2013 for Eaton, Hong Kong, mainly from improved business at the restaurants, given increased number of guests.

For the year 2013, the hotel achieved average occupancy of 95.1% on an average of 452 rooms (2012: 94.9% on an average of 445 rooms) and an average room rate of HK$1,208 (2012: HK$1,198).

OVERSEAS HOTELS

EUROPE

The Langham, London

As around 40% of the total arrivals at the Langham London are travelling from within the Eurozone, the stabilising conditions in the Eurozone helped to improve the performance of the hotel in 2013. RevPAR achieved by The Langham London grew 7.3% year-on-year in 2013 despite facing some tough prior year comparable with the 2012 London Olympics. The corporate market showed signs of increasing activity from the second quarter onwards and, coupled with improved leisure and group business, resulted in lifting RevPAR of the hotel.

Revenue from food and beverage was sustained by restaurant business with increased covers, which offset the shortfall from the weaker than anticipated catering segment.

For the year 2013, the hotel achieved occupancy of 81% (2012: 76%) and an average room rate of £278 (2012: £274).

NORTH AMERICA

The Langham, Boston

Given steadily improving economic conditions in the U.S. over 2013, The Langham, Boston witnessed an increase in demand for rooms, particularly from the leisure segment. As a result, the hotel managed to capture more weekend leisure business over 2013, which drove up occupancy for the hotel. However, the increase in guest mix toward lower yield leisure travelers resulted in flat average room rate achieved by the hotel.

Food and beverage revenue increased 11% on last year mainly from improved catering business, particularly from increased roadshows, corporate meetings and events.

For the year 2013, the hotel achieved average occupancy of 75% (2012: 67%) and an average room rate of US$242 (2012: US$242).

The Langham Huntington, Pasadena

The improved market sentiment helped lift RevPAR for the hotel, which grew by 6.9% year-on-year in 2013. The hotel focused in capturing higher yielding leisure and corporate travelers, which led to increases in both average room rate and occupancy for the hotel.

Food and beverage revenue rose 3% on last year, which was supported by positive growth in restaurants and catering, particularly in corporate meetings and events.

For the year 2013, the hotel achieved average occupancy of 75% (2012: 73%) and an average rate of US$228 (2012: US$219).

The Langham, Chicago

The hotel soft opened in early July 2013 with room inventory and other facilities gradually opened up from August onwards. The hotel has been instrumental in building our brand awareness in the Chicago city, but it will still take time for the Langham brand to fully penetrate the market. During 2013, we already made significant progress in positioning Langham as a recognised international luxury brand with the opening of Langham Chicago, which is located in the central business district of Chicago. The addition of this hotel will enhance brand awareness among our existing guests, and enable us to attract new customers to our collection of hotel properties. The charge of a one-time pre-opening expense affected the result of the hotel during the year.

From 10 July 2013 to 31 December 2013, the hotel achieved average occupancy of 47% (on an average of 239 available rooms) and an average rate of US$291.

Langham Place, Fifth Avenue, New York

Demand for rooms in New York has been steadily picking up over 2013, as the financial sector continued to recover from the financial crisis. The Hotel was rebranded under a Langham Place management contract from May 2013 and the acquisition of the 214-key hotel was completed in September. The hotel is gaining brand recognition in the city and penetrating the market.

From 25 September 2013 to 31 December 2013, the hotel achieved average occupancy of 81% and an average rate of US$627.

Eaton Chelsea Hotel, Toronto (Rebranded from Delta Chelsea in July 2013)

The hotel was rebranded to our own Eaton Chelsea brand on 1 July 2013. After this rebranding, all of the hotels that are wholly or partially owned by the Group are managed by our own hotel management subsidiary. In addition to the rebranding expense incurred, underlying performance of the hotel was also negatively impacted by the renovation of the lobby, restaurants and function rooms. Nonetheless, such renovations, in the long term, should help the hotel to maintain its market share. The combined effects of the rebranding and renovation impacted RevPAR achieved by the hotel in 2013, which dropped by 3.3% year-on-year to CAD85 in 2013.

Food and beverage revenue declined 11% year-on-year in 2013, which was mainly due to the refurbishment works on the restaurant and function rooms. Performance on food and beverage has gained momentum post the renovation.

For the year 2013, the hotel achieved average occupancy of 69% (2012: 70%) and an average rate of C$124 (2012: C$125).

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne

A string of sporting events and conferences helped to boost performance of the Langham Melbourne in 2013. During the year, the hotel secured some major group events and together with its continued focus on increasing its share of higher yielding weekend retail leisure travelers, both have contributed to lifting the average occupancy and room rate for the hotel in 2013. RevPAR grew 11.2% year-on-year in 2013.

The last phase of the room renovation was completed in third quarter of 2013. The hotel is now in a better position to offer its guest a more luxurious stay, which should eventually help The Langham Melbourne to increase its market share.

Food and beverage revenue declined by 3% year-on-year in 2013, which was attributable to weak sales in restaurants and catering, particularly from corporate meetings and events.

For the year 2013, the hotel achieved occupancy of 86% on an average of 377 rooms (2012: 82% on an average of 374 rooms) and an average rate of A$277 (2012: A$261).

The Langham, Sydney

Positive results were achieved in its first full year of operation under the Langham brand. Room revenue was well-supported by the leisure and group segments. Food and beverage revenue was well-supported by restaurant business, offsetting the shortfall in the catering segment. The hotel also gained more market share and continued to gain brand recognition.

The hotel was acquired on 8 August 2012 with 2012's results based on a five-month period.

For the year 2013, the hotel achieved occupancy of 83% (2012: 77%) and an average rate of A$291 (2012: A$296).

The Langham, Auckland

As the demand from the corporate and group segment remained weak in 2013, the hotel strategically targeted to capture demand from the retail segment, which helped the hotel to grow its occupancy during 2013. However, as the focus was shifted to retail travelers, that has resulted in a modest decline in average room rate achieved.

Room revenue increased 6% on last year mainly from occupancy growth. The soft corporate and group business was offset by improved performance in retail segment.

With increased business from restaurants and catering, food and beverage revenue managed to remain steady when compared with 2012.

For the year 2013, the hotel achieved average occupancy of 76% (2012: 70%) and an average rate of NZ$177 (2012: NZ$181).

CHINA

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

The hotel rounded up the year with total revenue increasing 12% on 2012. The growth in room revenue was mainly driven by positive contribution in corporate and leisure business, as witnessed by the 9% increase in average room rate.

Healthy results in food and beverage revenue were derived from steady performances of banquets and the Chinese restaurant.

For the year 2013, the hotel achieved an occupancy of 59% on an average of 356 rooms (2012: 58% on an average of 350 available rooms) and an average rate of ¥1,696 (2012: ¥1,551).

HOTEL MANAGEMENT BUSINESS

In the second half of 2013, another long-term hotel management contract was added to the growing portfolio of hotels under management, Langham Place Guangzhou, joined as those of third-party hotels managed by our hotel management subsidiary. This opening brought the number of hotels in our management portfolio to eight with approximately 2,000 rooms at the end of 2013. Except for a 33.3% stake in the Langham Xintiandi, the Group has no equity stakes in these hotels. It should be noted that as compared with the number of managed hotels disclosed in the interim report of 2013, the Langham Place Fifth Avenue hotel has been excluded in calculating the number of hotels in our management portfolio, as the hotel became wholly owned by the Group since September 2013, and was no longer classified as a pure managed hotel.

ASSET ACQUISITIONS

In September 2013, the Group completed the acquisition of the 214-room luxurious hotel in Manhattan, New York. In October, the Group announced that it had entered into a sale and purchase agreement to acquire a prime office property in the heart of down town San Francisco for US$181 million. The acquisition was completed on 21 November 2013 at a slightly reduced price of US$179 million.

	Year ended 31 December		
	2013 HK$ million	2012 HK$ million	Change
Attributable Dividend income	**716.9**	686.5	4.4 %
Management Fee income	**316.3**	272.8	15.9 %
Total income from Champion REIT	**1,033.2**	959.3	7.7%

INCOME FROM CHAMPION REIT

Given the accounting change to consolidate our 60.35% stake in Champion REIT, such consolidation resulted in significant distortion to our underlying financial position. In this regard, the Group's core profit will continue to derive from attributable distribution income from Champion REIT in respect of the same financial period. We believe this will better reflect the underlying financial return and economic interest attributable to our investment in Champion REIT. On that basis, total income from Champion REIT in 2013 rose by 7.7% year-on-year to HK$1,033.2 million. With higher asset management income, which included an acquisition fee related to the four floors at Citibank Plaza, together with an increase in agency commission income in 2013, overall management fee income from Champion REIT rose 15.9% to HK$316.3 million in 2013 (2012: HK$272.8 million). Whilst attributable dividend income from Champion REIT rose 4.4% year-on-year to HK$716.9 million, the increase was mostly due to our increased holdings in Champion REIT.

The following text were based on the annual results announcement of Champion REIT for the year of 2013 relating to the performance of the REIT's properties.

Citibank Plaza

The office leasing market in Central remained weak throughout 2013. Excluding for the acquisition of 4 vacant floors in the third quarter, the year-end occupancy would have been 89.2% as compared to 89.1% as of the end of 2012. The asking rent (the rental rate based on lettable floor area quoted for new tenancies) at Citibank Plaza is currently HK$80–85 per sq.ft.. The passing rent (the average rental rate of existing tenancies) weakened marginally from HK$85.12 to HK$84.60 per sq.ft. as leases were rolled over. This resulted in a 0.3% drop in revenue to HK$1,202 million. After deducting expenses, the Net Property Income of Citibank Plaza was HK$990 million, a 1.1% decrease year-on-year.

Langham Place Office Tower

Asking rents (based on gross floor area) for office space at Langham Place have risen this year and are now HK$38–45 per sq.ft. compared to HK$32–40 per sq.ft. a year ago. Passing rent increased from HK$28.36 at the end of last year to HK$32.86 as of 31 December 2013. This was a result of positive rental reversion upon the rollover of 51% of the floor area during 2013. The occupancy rate at the Langham Place Office Tower was maintained at 99.0% as of 31 December 2013. Revenue for the Langham Place Office Tower was HK$289 million, a 9.5% increase over the HK$264 million reported last year. Net property income grew 7.6% from HK$216 million to HK$232 million.

Langham Place Mall

In 2013 the Mall continued to enjoy very high levels of foot traffic and remained fully let. Over the twelve months of 2013, tenancies representing 33% of the Mall's floor area were rolled over, driving a 25.6% increase in passing base rents (based on lettable floor area) from HK$114.89 per sq.ft. to HK$144.26 per sq.ft.. Turnover rent income for 2013 increased by 4.2%, to HK$99 million, equivalent to an additional HK$25.87 per sq.ft. per month in income over the base rents. The overall increase in rent rates resulted in a 16.8% increase in revenue from HK$589 million to HK$688 million. Net property income increased by 16.9% from HK$450 million to HK$526 million.

Although total net property income for Champion REIT improved in 2013, distribution growth of the REIT was held back by higher borrowing costs. Cash interest expenses incurred by the REIT increased from HK$143 million in 2012 to HK$251 million in 2013. The increase was primarily due to the issuance of US$400 million of 10-year notes under the Medium Term Note programme at a favourable coupon rate of 3.75% in January 2013, as well as the rollover of over HK$2 billion in bank loans at a higher interest spread.

DEVELOPMENT PROJECTS

DALIAN MIXED-USE DEVELOPMENT PROJECT

The project is located on Renmin Road in the East Harbour area of Zhongshan District, the CBD of Dalian, Liaoning Province. It has a total gross floor area of approximately 286,000 square metres and comprises 1,200 high-end apartments and a luxury hotel with approximately 360 rooms. The Group has a 50% equity interest in the project and acts as the project manager. It is targeted for completion in two phases from 2014/15 onward, and upon the completion of excavation and foundation works, Phase 1 construction commenced in February 2012. As of the end of 2013, the Group had invested HK$631 million for its stake in the project.

A selection of the Phase 1 apartments were launched for pre-sale since September 2013 at an average selling price above RMB23,000 per sq.m., generating handsome operating margins. The project sets a new benchmark for luxury properties in the city by offering extraordinarily luxurious ambience with unobstructed sea view overlooking the Dalian harbour. It should be noted that the sales and profits on the presold apartments will not be booked in our income statement until handover of the apartments.

INVESTMENT IN LHI

On statutory accounting basis, our investment in LHI is classified as a subsidiary, and its results are consolidated on the Group's statutory income statement. However, as LHI is principally focused on distributions, the Group's core profit will be derived from attributable distribution income, as we believe this will better reflect the financial return and economic interest attributable to our investment in LHI. This entry is also consistent with our practice in accounting for returns from our investment in Champion REIT, which also focuses on distributions. As LHI was listed on 30 May 2013, distribution income covered the period from 30 May 2013 to 31 December 2013 in 2013. After taking into consideration of the distributions waived by the Group, distribution income from LHI came to HK$189 million in 2013.

In 2013, distribution entitlement in respect of 13.1% of our holdings in the share stapled units of LHI (before the impact of hotel management fee issued in units) will be waived, and the said percentage will drop to approximately 4.4% in 2017 and all of our holdings are entitled to distributions in 2018.

It was a gesture by the Group, as a major investor of LHI to waive part of its distributions so as to minimise dilution impact on initial yield to other investors. The dilution arose from additional units issued at the time of the initial public offering. The additional capital has been raised to fund asset enhancement initiatives on the initial portfolio, which should help support performance and value of the properties of LHI going forward.

	Year ended 31 December	
	2013 HK$ million	2012 HK$ million
Attributable Distribution income	**189.0**	n.a.

INVESTMENT PROPERTIES

	Year ended 31 December		
Gross rental income	**2013 HK$ million**	2012 HK$ million	Change
Great Eagle Centre	**143.0**	127.7	12.0%
Eaton Serviced Apartments	**45.1**	40.9	10.3%
United States Office Properties	**121.3**	108.3	12.0%
Others	**25.1**	24.2	3.7%
	334.5	301.1	11.1%
Net rental income	**HK$ million**	HK$ million	Change
Great Eagle Centre	**128.2**	123.8	3.6%
Eaton Serviced Apartments	**28.1**	28.5	-1.4%
United States Office Properties	**51.6**	42.2	22.3%
Others	**1.7**	1.9	-10.5%
	209.6	196.4	6.7%

Great Eagle Centre

On the back of sustaining demand from Mainland Chinese companies and to a lesser extent, relocation demand from Central tenants, asking rents for the office portion remained stable at between HK$60 to HK$73 per sq.ft. on lettable floor area throughout 2013. As such, average passing rent at the Great Eagle Centre went from HK$58.9 per sq.ft. as of December 2012 to HK$62.9 per sq.ft. as of December 2013. However, given the Group's planned strategy to relocate its hotel management subsidiary from Langham Place office tower to Great Eagle Centre from January 2014, this had resulted in increased downtime on certain office space when their leases expired during 2013. Primarily as a result of the space reserved for the aforesaid relocation, occupancy for the office portion of Great Eagle Centre was lowered to 92.9% as at the end of December 2013, as compared to 97.6% as at the end of December 2012.

While the retail space accounted for a smaller portion of total lettable floor area at Great Eagle Centre, it was benefitted from strong positive rental reversion, which lifted retail average passing rent from HK$79.5 per sq.ft. as of December 2012 to HK$95.9 per sq.ft. as of December 2013. The retail portion of Great Eagle Centre stayed at close to 100% occupancy throughout 2013. Overall, gross rental income for Great Eagle Centre increased 12% to HK$143.0 million in 2013 (2012: HK$127.7 million). However, net rental income was impacted by booking of additional expenses. These additional expenses are for the relocation and upgrading of the cooling water pumping facilities and other maintenance capital expenditure that cannot be capitalized. As a result, net rental income only rose 3.6% to HK$128.2 million in 2013 (2012: HK$123.8 million).

It should be noted that after the relocation of the Group's hotel management subsidiary to the Great Eagle Centre in January 2014, 14,852 sq.ft. of lettable floor area will be withdrawn from the total available floor area at Great Eagle Centre. As such, occupancy for the Great Eagle Centre will be adjusted accordingly in order to reflect the lower available floor area at Great Eagle Centre.

	As at the end of	
	December 2013	December 2012
Office (on lettable area)		
Occupancy	**92.9%**	97.6%
Average passing rent	**HK$62.9**	HK$58.9
Retail (on lettable area)		
Occupancy	**99.4%**	99.4%
Average passing rent	**HK$95.9**	HK$79.5

Eaton Serviced Apartments

The plan to convert part of the rooms at the serviced apartments on Wanchai Gap Road to operate under guesthouse rooms, which can be rented on a nightly basis rather than monthly basis for serviced apartments, helped to lift performance for the Eaton Serviced Apartments. Average passing rent at the Wanchai Gap Road property rose 23.6% year-on-year, while occupancy grew by 2.9ppt year-on-year. The increase in rental income from the Wanchai Gap Road property had more than compensated the drop in rental income of the two serviced apartments in Happy Valley, which witnessed lower occupancies amid weaker demand.

Overall occupancy for the three serviced apartments still dropped 4.2ppt to 73.6% in 2013 from 77.8% in 2012. However, achieved rental rates rose 10.3% from HK$41.7 per sq.ft. on gross floor area in 2012 to HK$46.0 per sq.ft. in 2013. Gross rental income rose 10.3% year-on-year to HK$45.1 million in 2013. Although with higher operating expenses incurred for the Wanchai Gap Road property, and lower net rental income achieved by the two serviced apartments in Happy Valley, there was a small drop in net rental income, which dropped 1.4% year-on-year to HK$28.1 million in 2013.

	Year ended 31 December	
	2013	2012
(on gross floor area)		
Occupancy	**73.6%**	77.8%
Average passing rent	**HK$46.0**	HK$41.7

United States Properties

As technology companies continue to expand or migrate from the Peninsula and Silicon Valley to downtown San Francisco, San Francisco remains one of the strongest office markets in the U.S.. Vacancy rates in the San Francisco area continued to decline over 2013. As such, asking rental rates in the area remained on an upward trend in 2013. Hence, spot rents at 353 Sacramento, 500 Ygnacio, and the recently acquired 123 Mission Street, all rose to levels above their average passing rents, which should lead to positive rental reversions in the years ahead.

However, spot rents at 2700 Ygnacio as at the end of 2013 were still below its average passing rent. Operating statistics of the portfolio presented in the table below included that of 123 Mission Street from 21 November 2013.

	As at the end of	
	December 2013	December 2012
(on net rentable area)		
Occupancy	**91.1%**	88.9%
Average passing rent	**US$36.5**	US$33.4

Excluding the newly acquired 123 Mission Street, occupancy of the portfolio would stood at 93.4% as at the end of 2013 as compared to 88.9% as at the end of 2012, whereas average passing rent for the portfolio would be US$34.5 per sq.ft. on net rentable area as of December 2013, as compared with US$33.4 per sq.ft. as at of December 2012.

Overall, gross rental income, which included approximately one month of contribution from the newly acquired 123 Mission Street, rose 12.1% to HK$121.3 million in 2013 (2012: HK$108.3 million). With primarily lower tenant inducement costs incurred at 353 Sacramento Street, net rental income rose 22.3% to HK$51.6 million in 2013 (2012: HK$42.2 million).

We are currently under preliminary discussion, which may or may not eventually materialize, to form an office property fund with other independent third parties, and we will be the asset manager of that fund. The fund's strategy is to acquire offices in major U.S. cities that provide reasonable yields with capital value appreciation potentials.

FINANCIAL REVIEW

DEBT

On statutory basis, after consolidating the results of Champion REIT and LHI, the consolidated net debts of the Group as of 31 December 2013 was HK$15,873 million, an increase of HK$4,036 million compared with that as of 31 December 2012. The increase in net borrowings during the year was due to a combination of factors including the net cash proceeds from the spin-off of the three Hong Kong hotels, as offset by new loans drawn by LHIL upon spin off; loans drawn for the acquisition of certain floors of Citibank Tower by Champion REIT and acquisition by the Group of two properties in United States. In addition, surplus cash fund invested in quoted shares, bonds and link notes were not classified as cash on hand.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2013 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$49,956 million, representing an increase of HK$7,185 million compared to the restated value of HK$42,771 million as of 31 December 2012. The increase was mainly attributable to the profit for the year and surplus credited to other reserves on deemed disposal of the three Hong Kong hotels.

For accounting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT and LHI. Based on such statutorily reported consolidated net debts ("Reported Debts") and equity attributable to shareholders, the gearing ratio of the Group as at 31 December 2013 was 31.8%. However, since only 60.35% and 57.72% of the net debts of Champion REIT and LHI respectively are attributable to the Group, and debts of these two separately listed subsidiary groups had no recourse to the Group, we consider it is more meaningful to account for the net debts based on sharing of net assets of listed subsidiaries instead of Reported Debts, and the resulting net cash position is illustrated below.

Net debt (cash) at 31 December 2013	Consolidated HK$ million	Sharing of Net Assets* HK$ million
Great Eagle	(3,811)	(3,811)
Champion REIT	13,636	–
LHI	6,048	–
Net debts (cash)	15,873	(3,811)
Equity Attributable to Shareholders of the Group	49,956	57,289
Gearing ratio as at 31 December 2013	31.8%	n.a.

* Net debts/(cash) based on the sharing of net assets of the separately listed subsidiary groups.

Because of the persistent low interest rate environment and in order to enhance return to shareholders, as a normal treasury function the Group has been prudently investing in quality short-term bonds which are intended to be held to maturity, principal protected notes with reputable banks and financial institutions as counter-parties and selected quality equities. As at 31 December 2013, the market value of these bonds and notes amounted to HK$2,048 million and invested securities amounted to HK$1,159 million. Should these amounts be taken into account, the consolidated net borrowings and gearing ratio would be reduced to HK$12,666 million and 25.4% respectively. The net cash based on sharing of net assets of Champion REIT and LHI would be correspondingly increased to HK$7,018 million.

The following description is based on the statutorily consolidated financial statements:

INDEBTEDNESS

Our gross debts (including medium term note) after consolidating Champion REIT and LHI in Hong Kong dollars amounted to HK$26,584 million as of 31 December 2013. Foreign currency gross debts as of 31 December 2013 amounted to the equivalent of HK$6,784 million, of which the equivalent of HK$4,205 million or 62% was on fixed-rate basis.

FINANCE COST

The net consolidated finance cost incurred during the year was HK$394.1 million. Overall interest cover at the reporting date was 7.7 times.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2013, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$11,462 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 31 December 2013:

Within 1 year	26.5%
1–2 years	11.3%
3–5 years	50.5%
Over 5 years	11.7%

PLEDGE OF ASSETS

At 31 December 2013, properties of the Group with a total carrying value of approximately HK$57,509 million (31 December 2012: HK$64,649 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2013, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$104 million (2012: HK$527 million) of which HK$77 million (2012: HK$454 million) was contracted for.

At 31 December 2013, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to HK$33 million) (2012: RMB26.5 million).

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

OUTLOOK

It appears that the low U.S. interest rate environment should continue for the near term. Despite the recent economic deceleration in China, the Third Plenum in November 2013 has produced a detailed reform blueprint for economic and social change for the next decade, which hopefully should provide the foundation for the next stage of growth in China. Nevertheless, considering the number of possible risks that could trigger an economic downdraft this year, we must remain vigilant as the outlook seems uncertain. In particular, we should be prepared to deal with the upcoming impact from the Fed's tapering, and be ready to respond to uncertainties in the global economy.

In 2014, we expect distributions and hotel management incomes from LHI to increase so as to reflect a full year of contribution after its listing in May 2013. For the three hotels owned by LHI, they have all witnessed an increase in RevPAR in the first six weeks of 2014. Booking pace is supporting growth trend into March 2014. However, with little visibility on future demand, macroeconomic trends of the major feeder markets will still play a key role in determining RevPAR growth for the Hong Kong hotels in 2014.

In terms of the outlook for the hotels outside of Hong Kong, our hotels in the U.S. will be benefitted from further recovery in the U.S. economy, where growth in hotel supply is limited for at least the next two years.

For the hotel in London, we are cautiously optimistic, given signs of improving economic conditions in the U.K. and the Eurozone. Performance of the hotels in Australasia should be steady, whereas further impact from the rebranding of the hotel in Toronto may affect performance of the hotel in 2014.

For Champion REIT, there should be some downside for the income of Citibank Plaza. Fortunately, strong rental growth at Langham Place property should be able to counteract the potential weakness at Citibank Plaza. However, higher interest costs may once again hold back the growth in distributable income.

Although the economy at large continues to be challenging in some of the markets we operate, the Group is well-prepared to face these challenges. Looking forward, our strong financial position and strong cash rich position, as well as cash flow generation will enable us to pursue further opportunities for strengthening our growth prospects in the long term.

LO Ka Shui
Chairman and Managing Director

Hong Kong, 26 February 2014

CORPORATE SOCIAL RESPONSIBILITY


Hong Kong Sinfonietta
香港小交響樂團
Disney
FANTASIA
香港小交響樂團
迪士尼《幻想曲》音樂會
LIVE IN CONCERT


主辦
智樂 playright
冠名贊助
鷹君集團有限公司
Great Eagle
Holdings Limited
鷹君集團50周年冠名贊助
智樂遊戲萬歲日2013

Create Value, Improve Quality of Life – this is our CSR vision, which is based on our belief that CSR will create long-term value for our customers, partners, investors, employees and community. At the same time, this business approach improves the quality of life in our workplace as well as the local community and the world at large.

This year report focuses on the Group's environmental and social performance of our major businesses which include development, investment and management of hotels and properties. It continues to make reference to the Environmental, Social and Governance Reporting ("ESG") Guide which was issued by the Hong Kong Exchanges and Clearing Limited in August 2012. The report is structured according to the four ESG subject areas:

- Workplace Quality
- Environmental Protection
- Operating Practices
- Community Involvement

In addition to these four ESG subject areas, we have documented on how we make and implement decision in pursuit of our CSR objectives in section "CSR Steering Committee and Strategy". Selected key performance indicators are also supplemented to illustrate our CSR performance.

Hang Seng Corporate Sustainability Index Series Member 2013-2014

Our continuous efforts in CSR are reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index three years in a row. Our subsidiaries also received numerous prestigious CSR related awards and recognitions as listed in the following sections of this report.

In 2013, our Hotel Division, Langham Hospitality Group, issued their second sustainability report, "Green is the New Black", which reviewed their current systems and performance, and set out their environmental and social objectives for the coming years.

CSR STEERING COMMITTEE AND STRATEGY

The CSR Steering Committee is responsible for enabling our Group to take responsibility for CSR impacts of our decisions and activities, and for integrating CSR throughout the organisation. The Committee comprises members from the Board and management from key areas of the Group, serving as a senior level working group for setting the Group CSR policy and strategy.

The Group CSR Policy, which provides a robust framework and direction to implement CSR and embeds CSR into our organisational culture, was established by the Committee in 2012. The Committee, through risk assessment, also determined "Prevention of Pollution" and "Supply Chain Influence" as the CSR issues with the top priority which require managing actions. A CSR strategy was developed to enable the Group to focus our efforts on these issues.

In managing pollution:

- We continue conducting carbon audits for our major properties
- Our Green Champion Working Group meets regularly to share and implement green practices among our business units/ departments
- Several green campaigns were launched during the year in order to raise environmental awareness of colleagues

In influencing our suppliers:

- We have been providing Supplier Code of Conduct to our suppliers so as to communicate our CSR expectations

We recognise that engaging our stakeholders is vital for understanding the impact of our operations on different groups, as well as material issues that may impact us or them. In 2013, we conducted our first stakeholder engagement by appointing an external consultant. The consultant assisted us to identify employees, tenants, suppliers, investors and media as our key stakeholders to engage. The results of the engagement will be taken into consideration when we prioritise our material issues and review our existing CSR strategy at the CSR Steering Committee meeting which will be held in 2014.

In order to achieve our CSR vision, we believe a CSR culture in our Group is a crucial factor. To this end, we started communicating CSR in a friendly and fun way by branding our CSR efforts as "CSR Action", which consists of seven "Great Actions" icons to represent our CSR commitments in human rights, labour practices, the environment and so forth. A CSR awareness workshop was also developed based on the "Great Actions", along with interesting lecture and interactive games, to educate colleagues in CSR. The approach was proved to be a successful one as participated colleagues returned favourable feedback on the content and approach of the training.

"CSR Action" Icon and Training

WORKPLACE QUALITY

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

TOTAL WORKFORCE BY AGE GROUP & GENDER

Business	Under 20 years old	20 & under 30 years old	30 & under 40 years old	40 & under 50 years old	50 & over years old	Male	Female
Hotel	1%	32%	27%	20%	20%	51%	49%
Property & Others[1]	1%	19%	30%	22%	28%	61%	39%

TOTAL WORKFORCE BY GEOGRAPHICAL REGION

Business	Hong Kong	PRC	Europe	North America	Oceania
Hotel	29%	10%	7%	35%	19%
Property & Others[1]	90%	10%			

TOTAL WORKFORCE BY EMPLOYMENT TYPE & EMPLOYMENT CONTRACT

Business	Full-time	Part-time	Permanent	Contract
Hotel	85%	15%	99%	1%
Property & Others[1]	99%	1%	88%	12%

Note:

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

In addition to creating a fair workspace, we view health and safety beyond a moral and legal responsibility. We are committed to ensuring that risks to employees' health and safety at work are properly controlled. To meet this end, our Hotel Division has implemented occupational health and safety systems with policies, committees, standard & operating procedures, training, incident reporting and analysis for prevention. Safety performance and emergency preparedness measures (e.g. fire drill, chemical handling) are reviewed internally on a regular basis so as to continuously improve the safety systems. To further raising colleagues' awareness on health and safety, the Division introduced The Workplace Health and Safety Week to all of our owned and/or managed hotels in 2013. During the week, the hotels engaged the staff in a series of informative and fun activities, such as healthy meals at colleague cafeteria, wellness gala, and "Destress with CHUAN Spa" workshop by the Group Spa Therapy Manager.

“Destress with CHUAN Spa” Workshop

Safety Committee

Our Property Management Division is also committed to providing a safe and healthy workplace for the tenants and shoppers. The Division has established a health and safety management system and obtained OHSAS 18001 Occupational Health and Safety Management System certification. The management system identifies health and safety hazards which are in turn controlled by the Division’s Safety Committee and operating procedures. The Safety Committee consists of representatives from different teams, aiming to implement action plans and review the effectiveness of the management system on a monthly basis with a view to achieving zero accident. The operating procedure for monitoring requires us to regularly monitor our health and safety risks by using checklists, which outline the health and safety checking items on, for example, working in confined space, installing electrical systems, manual handling and using personal protective equipment. Ongoing training courses such as seminar and tool-box talk are also regularly provided to the frontline staff.

WORK RELATED FATALITIES & LOST WORKING DAYS DUE TO INJURIES

Business	Total workforce hours (in thousands)	Number of fatalities	Lost working days due to injuries
Hotel	10,096	0	2,596
Property & Others[1]	1,889	0	936

Note:

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

Provision of opportunities for training and development has become an important component to attract and retain staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to staff of all levels. In 2013, "The 7 Habits of Highly Effective People" and "Business Innovation" continued to be the highlight training programmes provided to our colleagues. "The 7 Habits of Highly Effective People" conveys the importance of personal and interpersonal leadership that helps individuals to see, think and act differently in order to produce better performance and business results. A strong focus is put on "Leading Oneself and Leading Others". To embed "innovation" into the Group's corporate culture, Business Innovation Workshops have been introduced to focus on the core concept of creativity and problem solving from different perspectives as well as to widen the mind and vision of staff towards world-class practices which can be applied in business.

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

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

Business	Employee receiving performance reviews
Hotel[1]	100%
Property & Others[2,3]	100%

Note:

1. Hong Kong and China employees who are eligible to receive performance review during the reporting year
2. Property & Others include businesses such as property development, property management, trading and fitness centre in Hong Kong and China
3. Employees joined from 1 August to 31 December 2013 will receive reviews in 2014 as per policy

We recognise that productive employees are those who maintain a healthy work-life balance. To promote the importance of this, during the year, we organised various wellness and interest classes in, for example, tai chi, soap making, cosmetic makeup and cooking. We also organised recreational events such as Group Bowling Competition, Fun Day in Disneyland, One Day Tour to Lantau Island and Christmas Party, which facilitate colleagues to know each other and promote team spirit.

"The 7 Habits of Highly Effective People" Training

Group Bowling Competition

HR Excellence Awards 2013

HR Excellence Awards 2013

Our Hotel Division's outstanding effort in people strategies and practices was recognised by the Hong Kong Institute of Human Resources Management in 2013. Two hotels received the HR Excellence Awards 2013 in the category of:

- The Langham, Hong Kong: Excellent Reward Management
- Langham Place, Mongkok, Hong Kong: Excellent Business Partner

One Day Tour to Lantau Island

ENVIRONMENTAL PROTECTION

To embed green into our organisational culture, the CSR Steering Committee has decided to establish the Green Champion Working Group. The working group was formed by nominated Green Champions from business units/departments to share and learn green practices from each other and in turn spread the best green practices to all of the colleagues. Several green campaigns were launched during the year, for example, "Great Eagle Go Green Badge" encouraged colleagues to wear a green badge when they supported any of the green campaigns; "Loving Heart Charity Sales", which invited colleagues to donate their new or used items they no longer required to the Sales for other colleagues to buy. The money received from the Sales was donated to the Salvation Army for charity purpose. The campaign served two CSR goals by not only reducing waste through "reuse" but also helping the people in need.

Great Eagle Go Green Badge

Our Hotel Division has been partnering with the EC3 Global EarthCheck Programme which offers a credible independent auditing and monitoring service. EarthCheck is an internationally recognised environmental benchmarking and sustainability certification programme, designed to address the challenges of climate change and improve the environmental and social performance of organisations. The Langham, Auckland continues its Certified Gold status in EarthCheck program, while other seven hotels maintain their Certified Silver status. The Langham Xintiandi, Shanghai received Bronze Benchmarked status in 2013 and The Langham, Sydney has joined the programme. Eaton Chelsea, Toronto has been participating at the Hotel Association of Canada's 4 Green Key ECOmmodation Rating program. Other than awarding certificates to our hotels, these programmes also support our continuous efforts in energy and water intensity reduction in the past few years.

The Hotel Division has introduced environmental-friendly facilities to our owned and/or managed hotels including replacing tungsten halogen lamps and traditional fluorescent tubes with LED. In-room recycle bins are installed in guest rooms. In 2013, Eaton Hong Kong suspended the use of plastic bottled water throughout its hotel operations by investing in an eco-friendly drinking water purification system which helps to eliminate consumption and subsequent disposal of large number of plastic bottles every year.

Loving Heart Charity Sales

LED Lighting

Re-used Glass Bottles

Our Property Management Division continues to minimise significant environmental impacts of our operation and improve the performance by implementing ISO 14001 Environmental Management System Standard. To reduce our energy consumption and carbon emission, the Division has also retrofitted LED light fittings at our owned and/or managed properties. Lighting controls with motion sensors have been installed at parking space. In 2013, green roofs and green walls were installed at Langham Place and Citibank Plaza, respectively, in order to reduce carbon emission and at the same time, create a greener environment. To reduce water consumption, the Division has also retrofitted low flow water faucet for wash basin, reused draining water from potable water tanks during periodic cleaning work for irrigation, drawn underground water for irrigation and arranged prompt remedial action on water leakage.

Green Roof

To protect the environment, Property Management Division understands it cannot be done solely by ourselves and must seek partnership with our tenants. As such, the Division has introduced a few recycling initiatives to collect paper, used batteries, discarded fluorescent tubes and lamps, discarded metals and plastic from the tenants. To recognise their efforts, the Division held a Green Christmas Celebration and presented souvenirs to the outstanding participants at the end of the year. In addition, we continue to collaborate with a food waste collector to re-process food waste from our food court tenants.

Green Christmas Celebration

ENERGY CONSUMPTION (GJ)

Business	Direct energy consumption	Indirect energy consumption
Hotel[1]	465,306	490,019
Property & Others[2]	231	220,815

CARBON EMISSIONS (tonnes CO_2-eq)

Business	Direct carbon emission	Indirect carbon emission
Hotel[1]	26,457	58,778
Property & Others[2]	6,784	50,302

WATER CONSUMPTION (m^3)

Business	
Hotel[1]	1,338,568
Property & Others[2]	368,771

Note:

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

Our Property Development Division is committed to keeping the environmental footprint of our new developments to a minimum, both during the initial design and construction phases, as well as throughout the life of the buildings. At the design stage of the joint venture development project in Dalian, green building initiatives were integrated into our planning. For example, the building maximises day lighting to interior by its extensive windows and yet well-insulated external façade. Natural daylight is also maximised at the strategic locations of basement carpark. To reuse wastewater, the building taps into the district grey-water system for toilet flushing.

The Langham Chicago, which was opened in July 2013, is now at its final stage of submission for LEED (Gold) certification. Environmentally responsible design alternatives such as guestroom in-room control systems with motion sensors, BMS system for central management control for effective energy savings, enhanced commissioning of MEP systems and so forth, were implemented from the design stage to implementation stage.

In our corporate office, our Administration Division continues to implement green practices according to the slogan "ER^3" (Environmental Protection, Recycle, Reduce and Reuse). In 2013, a good practice was to reallocate old furniture collected from the corporate office renovation to other departments. This practice not only saves cost of new furniture purchase but also the storage or disposing cost of the old furniture. Paper recycling has also gained momentum in the corporate office. The overall recycling paper collected increased by 17% comparing to 2012, which shows that colleagues are more aware of saving trees by recycling used paper. The Division also started a meaningful practice by organising "Green and Organic Departmental Gathering" in which healthy green and organic food are served in every departmental gathering with a careful estimation of food ordering to avoid food wastage.

"Green and Organic Department Gathering"

In recognition of our efforts in environmental protection, the following properties, which are managed by Property Management Division, were honoured:

Green Council's Green Management Award (Corporation) – Service Provider:

- Langham Place: Gold
- Citibank Plaza: Bronze
- Great Eagle Centre: Bronze

Citibank Plaza also won:

- The Hong Kong Institute of Facility Management's Excellence in Facility Management Award 2013 (Office Building)
- HSBC LIVING BUSINESS Green Achievement Award 2013 – Certificate of Excellence

The awards demonstrate our environment consciousness and excellent operational environmental management.

Riding the momentum of the "Energy Saving Charter" scheme in 2012, the Environment Bureau expanded the Charter scheme to cover not only communal area in shopping malls but also retail shops in shopping malls, communal area in office buildings and tenants in the buildings. To support this meaningful initiative, three of our owned and/or managed major properties signed the pledge as well as promulgated the message to the retail shops and office tenants. The large number of retail shops and office tenants signing the pledge was encouraging.

Green Management Award

Excellence in Facility Management Award

Energy Saving Charter Launching Ceremony

OPERATING PRACTICES

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

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

We are committed to offering superior quality products and services to our customers by satisfying their expectations and needs – whether they are guests at our hotels or tenants or shoppers at properties under our management. Our Hotel Division strives for knowing our guests better than the others and building the greatest hotel memories. To meet this end, the Second Edition of "The Q. League Standards", our Total Quality Management model of the Hotel Division was launched in 2013. These standards serve as a management guideline to enable our hotels to strive for performance excellence in four major focus areas: Leadership, Guest, Colleagues and Innovation. Suggestions from hotel users had been adopted to tailor this guideline to our unique business environment so as to ensure practicality in operations.

To know more about our hotel guests and to meet their expectations, a robust Voice of the Customers (VOC) system has been established by the Hotel Division. VOC channels include post-stay online guest survey, various mystery shopper programmes conducted by third-party professional quality audit companies and guest feedback cards which are placed at our guest rooms as well as restaurant outlets. In 2013, a new generation of online guest survey was launched by the Division. This new generation of survey provides a more guest-friendly interface through offering flexibility of choosing questions, presenting with more human-focused design, and delivering a shorter yet precise survey to our guests.

The Q. League Standards

Our Property Management Division continues to implement ISO 9001 Quality Management System which requires monitoring the satisfaction level of our customers. To this end, the Division regularly send questionnaires to tenants of properties under our management in order to obtain their feedback. They have also established "Customer Feedback System" to collect appreciation, complaint and general enquiry from our customers. All feedback is timely replied to our customers and improvement actions are determined to further enhance our services. For example, in 2013, the Division started offering two new value-added services, "battery charger borrowing service" and "umbrella borrowing service" for our tenants and shoppers.

Umbrella Borrowing Service

In recognition of our efforts in providing superior quality services:

- The Food & Beverage Services Manager at Eaton Chelsea, Toronto was selected as one of the "Top 30 Under 30" stars for 2013

This is a high profile recognition program that celebrates and recognizes future generations of hospitality leaders who are and will make a difference.

Langham Place received:

- Hong Kong Management Association's Quality Award – Bronze
- Hong Kong Small and Medium Enterprise's Hong Kong Star Brands Award 2013 (Enterprise)

Citibank Plaza was honoured:

- Asia Pacific Customer Service Consortium's Customer Relation Excellence Awards – Best Customer Experience Management (Commercial Building)

HKMA Quality Award

COMMUNITY INVOLVEMENT

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

- We believe arts is important to Hong Kong as a world class city. Arts could enrich the daily lives of the people and promote social progress and cultural development
- We believe that Hong Kong's future relies heavily on the next generation. Children in preschool education and kindergarten, in particular, are in their prime period to learn and acquire knowledge. We strive to sponsor projects which start nurturing children in their early ages
- Environmental protection is a subject which is essential to our organisational culture and it should be extended to the community at large. To meet this end, we are committed to involving the community in shaping a healthy and pleasant environment

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

In Arts, to bring classical music closer to the community, we sponsored Hong Kong Sinfonietta's "Great Eagle 50th Anniversary Proudly Sponsors – Disney Fantasia Live in Concert" and Hong Kong Philharmonic's "Great Eagle 50th Anniversary Proudly Sponsors – Christmas Around the World Concert". Both concerts brought the audience into the wonderful world of classical music through innovative programming and energetic performance. Leveraging the Christmas concert, we organised a special open rehearsal for underprivileged children to explore live orchestra and behind the scene of a concert.

Disney Fantasia Live in Concert

In Children Education, we believe "play" is an essential part of every child's life and is vital to their development. Not only could "Play" enhance physical and emotional growth of children, but also improve their social and behavioural skills. Engaging parents in "play" could also nurture a better relationship of a family. In view of the importance of "play", in 2013, we continued to sponsor Playright Children's Play Association to hold the second "Great Eagle 50th Anniversary Presents – Playright Cheers for Play 2013". The event again was held at Chater Road pedestrian precinct and the theme of 2013 was "Let Children Play for One Hour Everyday", which aimed to promote children's right to play in the midst of their busy schedule due to schoolwork and interest classes. The event attracted a large crowd and public attention on children's rights to play. In addition to financial support, same as last year, our volunteering team provided assistance to the event and did a good job in setting up and being play ambassadors.

Playright Cheers for Play 2013

In environmental protection, we sponsored Green Monday's "Great Eagle 50th Anniversary Presents – Love Our Planet 4.22 Hong Kong Goes Green Monday", aiming to promote green life style by going meatless on Mondays. This green life style is an easy and effective way to reduce our carbon footprint and improve our health. The campaign was jointly promoted by school caterers and partner restaurants to advocate students and the whole city to go green together on 22 April 2013, the Earth Day. Our Hotel Division supported this campaign by providing green menus at all of their restaurants starting that day. Green Monday luncheons and talks were organised at our offices and hotel colleague cafeteria to promote this green and healthy concept to our colleagues. An exhibition was also held at Langham Place to communicate the vision of Green Monday.

Love Our Planet 4.22 Hong Kong Goes Green Monday

Other than designing a few deserving projects with non-profit organisations, we strive to promote best practices in environmental excellence and exchange knowledge amongst the top CSR leaders. We continue supporting and participating in:

- Business Environment Council: Council Member
- Hong Kong Green Building Council: Bronze Patron Member
- World Wildlife Fund for Nature Hong Kong: Silver Member

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

MOVING FORWARD

The results of the stakeholder engagement we conducted in 2013 will help us better understand our stakeholders' perceptions, concerns and priorities towards our CSR performance. We will take their suggestions into consideration when shaping our future CSR strategy and actions in the CSR Steering Committee for 2014. Embedding CSR into our organisational culture and integrating CSR into our daily operations will continue to be our CSR goals which enable us to Create Value, Improve Quality of Life.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

DR. LO KA SHUI

Chairman and Managing Director

Dr. LO Ka Shui, aged 67, has been a member of the Board since 1980. He is the Chairman, Managing Director, a member of the Finance Committee and a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and also the Chairman and a Non-executive Director of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited. Dr. Lo is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

MR. LO KAI SHUI

Executive Director and Deputy Managing Director

Mr. LO Kai Shui, aged 54, has been a member of the Board since 1984. He is the Deputy Managing Director, a member of the Finance Committee and a director of various subsidiaries of the Company. Mr. Lo is also a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and the founder of Sun Fook Kong Group Limited. He has more than 30 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan, and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

MADAM LO TO LEE KWAN

Non-executive Director

Madam LO TO Lee Kwan, aged 94, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late chairman of the Company, and is the co-founder of the Group. She actively involved in the early stage development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

MR. CHENG HOI CHUEN, VINCENT

Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 65, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheng is an Independent Non-executive Director of China Minsheng Banking Corp., Ltd., MTR Corporation Limited, Hui Xian Asset Management Limited (Manager of the public listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, Shanghai Industrial Holdings Limited and Wing Tai Properties Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is a Vice Patron of Community Chest of Hong Kong and a member of the Advisory Committee on Post-service Employment in Civil Servants. In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science Degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

PROFESSOR WONG YUE CHIM, RICHARD

Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 61, is an Independent Non-executive Director of the Company. He has been a Director since 1995 and is the Chairman of the Nomination Committee and members of the Audit Committee and the Remuneration Committee of the Company. Professor Wong is Chair of Economics at The University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region. Professor Wong is an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc., Orient Overseas (International) Limited, Pacific Century Premium Developments Limited, and Sun Hung Kai Properties Limited, all of which are companies whose shares are listed on the Stock Exchange. Professor Wong is also an Independent Non-executive Director of The Link Management Limited (manager of the publicly listed The Link Real Estate Investment Trust) and Industrial and Commercial Bank of China (Asia) Limited.

MRS. LEE PUI LING, ANGELINA

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 65, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and members of the Audit Committee and Nomination Committee of the Company. She is a practising solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She has a Bachelor of Laws Degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

MR. ZHU QI

Independent Non-executive Director

Mr. ZHU Qi, aged 53, was appointed as an Independent Non-executive Director of the Company in August 2009 and is a member of the Audit Committee of the Company. Mr. Zhu is an Executive Director and Chief Executive of Wing Lung Bank Limited. He has over 26 years of banking experience. From 2000 to July 2008, he had been the Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited, the Chairman of Chinese Mercantile Bank and a Director of ICBC (Asia) Bullion Company Limited, ICBC (Asia) Nominee Limited and ICBC (Asia) Asset Management Company Limited. Mr. Zhu also had been a Director of China Ping An Insurance (Hong Kong) Company Limited, the Deputy Chairman of ICEA Finance Holdings Limited, the Chairman of Industrial and Commercial International Capital Limited and a Director of The Tai Ping Insurance Company, Limited. He graduated with a Bachelor's Degree from Dongbei University of Finance and Economics, and a Master's Degree in Economics from the Zhongnan University of Finance and Economics in 1986.

MR. LO HONG SUI, ANTONY

Executive Director

Mr. LO Hong Sui, Antony, aged 72, is an Executive Director and a director of various subsidiaries of the Company. He has been a Director of the Group since 1967. Mr. Lo has been actively involved in property development, construction and investment for more than 45 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and a younger brother of Madam Law Wai Duen.

MADAM LAW WAI DUEN

Executive Director

Madam LAW Wai Duen, aged 77, is an Executive Director and a director of certain subsidiaries of the Company. She has been a Director of the Group since 1963. Madam Law graduated from The University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 49 years. Madam Law is a daughter of Madam Lo To Lee Kwan, and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

MR. LO HONG SUI, VINCENT

Non-executive Director

Mr. LO Hong Sui, Vincent, aged 66, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is principally engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited and Shui On Land Limited, both are listed on the Stock Exchange, and the Chairman of China Xintiandi Limited, wholly owned subsidiary of Shui On Land Limited. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui, and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

DR. LO YING SUI

Non-executive Director

Dr. LO Ying Sui, aged 61, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine Degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. He is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

MR. KAN TAK KWONG

Executive Director and General Manager

Mr. KAN Tak Kwong, aged 62, is an Executive Director and the General Manager, a member of the Finance Committee and a director of various subsidiaries of the Company. Mr. Kan joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has more than 38 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

SENIOR MANAGEMENT

HOTEL

Mr. Robert Allen WARMAN, aged 55, joined Langham Hospitality Group in 2014 as Chief Executive Officer. With more than 33 years' experience in the global luxury hospitality industry, Mr. Warman provides strategic guidance in the Company's operations, drives innovation, and oversees all the development processes on a global level. A graduate of DePaul University in Chicago, Mr. Warman was most recently the president and chief operating officer of Capella Hotel Group, as well as co-chairman of the Capella Asia board. Prior to that, Mr. Warman had served for 18 years in various senior operational and executive roles at The Ritz-Carlton Hotel Company, from the first hotel in Buckhead, Atlanta through its expansion into 50 luxury hotels around the world.

Mr. LUK Chau Kwong, Eric, aged 54, is the Head of Finance and Legal of the Group's Hotel Division who rejoined the Group in 2002. He first joined the Group in 1994 and had held previous positions including Vice President – Finance and Group Financial Controller for Langham Hospitality Group and various capacities at hotel properties under the Group. He has more than 30 years' hotel management experience and works extensively on the management, operations and acquisition of the Group's hotel projects globally.

BUSINESS DEVELOPMENT AND FINANCE

Mr. CHU Shik Pui, aged 52, Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters, joined the Group in 1989. He is a fellow of The Chartered Association of Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of the Society of Registered Financial Planners. Mr. Chu has 29 years' aggregated experience in taxation, finance, accounting and investment.

Mr. MOK Siu Bun, Terry, aged 60, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 32 years' experience in accounting and finance in the real estate industry.

Mr. LAM Kin Kwok, Sherman, aged 54, rejoined the Group in September 2013 as Director of Strategy and Business Development; also, he is currently assuming the role of President, Pacific Eagle Holdings Corporation. Mr. Lam brings to the roles 30 years of strategic planning, business development, financial management and property development & investment experience, holding senior roles in both privately held and publicly listed organisations. Prior to Great Eagle Holdings, he served as Chief Executive Officer of Rainbow Land Holdings Limited, Chief Financial Officer of Langham Hotels International Limited, Strategic Planning and Development Director with the Fok Ying Tung Group and General Manager – Corporate Development of HKR International Limited. Mr. Lam had also worked with global petro-chemical giant, Shell in China and Hong Kong, and held various key roles with the HK-listed power company, CLP Group.

Mr. LO Chun Him, Alexander, aged 29, is a Senior Associate Director of Business Development of the Group. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Prior to joining the Great Eagle Group, he had worked at Citibank's investment banking division for two years with a focus on Hong Kong's market. He joined the group in 2010 and has had experience in the hotel division as well as property management and leasing. He is currently responsible for matters related to financial investments, business and project development for the Great Eagle Group, including commercial properties as well as hotel properties. He is a son of Dr. Lo Ka Shui, the Chairman and Managing Director of the Company.

CHINA

Mr. LU Ning, Michael, aged 41, joined the Group in May 2008. He is the Managing Director of the Group's Trading Division, and is also responsible for the Group's China strategy and investment. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Mr. AU Ngai Ho, aged 56, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has over 33 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

PROPERTY MANAGEMENT

Mr. LEUNG Tat Kai, Henry, aged 60, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung holds a Bachelor's Degree in Laws. He is a member of the Royal Institution of Chartered Surveyors and an associate member of The Institute of Chartered Secretaries and Administrators. He has over 30 years' experience in the real estate industry and property management.

COMPLIANCE AND ADMINISTRATION

Ms. WONG Mei Ling, Marina, aged 47, joined the Group in 2008. She is the Group Company Secretary and the Head of Company Secretarial and Administration Department. Ms. Wong is also responsible for the company secretarial matters of Eagle Asset Management (CP) Limited (manager of the publicly listed Champion REIT) and the Company Secretary of LHIL Manager Limited and Langham Hospitality Investments Limited (listed on the Stock Exchange). Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong respectively. Ms. Wong had over 20 years of post qualification experience in company secretarial and compliance.

Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 51, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, and a Master's Degree in Business Administration from The University of Hong Kong. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. He has extensive experience in accounting, statutory auditing and internal auditing.

LEGAL

Mr. HUNG Ka Wai, aged 49, the Head of Legal of the Group, joined the Group in December 2011. Mr. Hung holds a Bachelor of Laws degree, a Postgraduate Certificate in Laws and a Master of Laws degree. Besides, he is also a graduate of the Law School of the University of New South Wales with a Master Degree in the Australian law. He was admitted as a solicitor in Hong Kong in 1996 with more than 17 years of experience in corporate finance and compliance work in listed companies. He is also a member of the Institute of Chartered Accountants in England and Wales, Chartered Accountants Australia and New Zealand and The Hong Kong Institute of Certified Public Accountants.

PROJECT DEVELOPMENT

Mr. YEUNG Alfred Kwong Fai, aged 54, is the Managing Director of The Great Eagle Development and Project Management Limited overseeing the Group's project portfolio in Europe, North America, Asia and Australasia. Mr. Yeung has more than 25 years of experience in real estate and project management and has held directorate appointments in a number of multi-national companies before joining the Group in 2013. Mr. Yeung is a chartered architect by profession, qualified at Liverpool J.M. University and received Master Degree in Construction Management from Bath University. He has also received executive management training from Harvard Law School, Franklin Covey Leadership Programme and Richard Ivey Business School. Mr. Yeung is a member of Royal Institute of British Architects, member of Urban Lands Institute, Chartered Management Institute and Association for Project Management in UK.

Mr. KWAN Chun Bon, James, aged 53, is the General Manager – Development of The Great Eagle Development and Project Management Limited. He has nearly 30 years extensive working experience in real estate fields which include development projects and investment properties. Mr. Kwan has been serving the Group since September 1994. He holds a Professional Diploma in Estate Management (Hong Kong Polytechnic) and is member of the Hong Kong Institute of Real Estate Administrators. He is now overseeing the Group's Development Department and handling of prospective development projects and investment properties including both the local and overseas acquisition.

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year under review, the Company has complied with all the code provisions and mandatory disclosure requirements as set out in the CG Code, except the following deviations in respect of which remedial steps for compliance have been taken or considered reasons are given below.

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

Dr. Lo Ka Shui is the Chairman of the Board and is holding the office of Managing Director of the Company. While this is a deviation from CG Code Provision A.2.1, dual role leadership has been in practice by the Company for decades and has withstood the test of time. The Board considers this arrangement to be appropriate for the Company as it can preserve the consistent leadership culture of the Company and allow efficient discharge of the executive functions of the chief executive. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including four Independent Non-executive Directors and three Non-executive Directors. Meanwhile, the day-to-day management and operation of the Group are delegated to divisional management under the leadership and supervision of Dr. Lo Ka Shui in the role of Managing Director who is supported by Mr. Lo Kai Shui, as the Deputy Managing Director, and Mr. Kan Tak Kwong, as the General Manager.

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

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

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

Under the existing Bye-laws of the Company, the executive chairman and managing director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the Report of the Directors contained herein. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has voluntarily disclosed his biographical details in accordance with Rule 13.74 in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information. A biography of Dr. Lo and details of his emoluments are also provided on page 46 of this Annual Report and in note 13 to the consolidated financial statements respectively.

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

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

BOARD OF DIRECTORS

Board Responsibilities

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

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

Summary of Key Matters Reserved for the Board

Strategy

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

Structure and Capital

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

Financial and Corporate Governance

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

Board Membership and Other Appointments

- Appointment of membership of Board Committees
- Appointment or removal of the Company Secretary
- Appointment, re-appointment or removal of the external auditor to be put to Shareholders for approval, if required

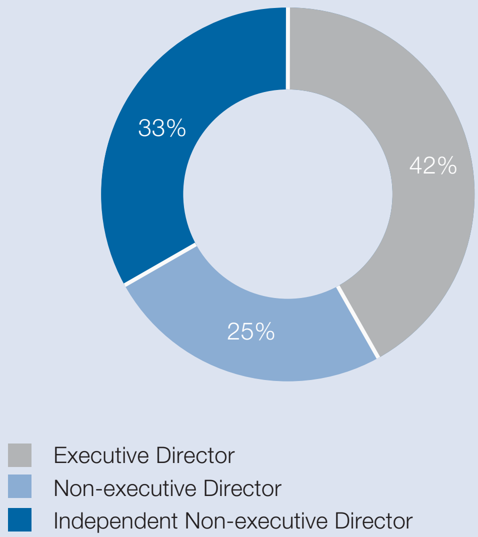
Board Composition

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

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

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

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



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

Members of the Board of Directors

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

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

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 46 to 51 of this Annual Report and published on the Company's website at www.GreatEagle.com.hk.

Directors Orientation and Continuing Development

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

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

To keep abreast of the responsibilities of the Directors and infuse them with new knowledge, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director will be provided to each Director from the Company Secretary periodically. With regard to the Director Development Program in 2013, court cases decided relating to our daily operations, legal and regulatory updates on the Listing Rules, Arbitration Ordinance and various reading materials regarding Environment, Social and Governance Reporting were circulated to the Directors. All Directors participated in the Program and had provided a record of training they received to the Company.

Supply and Access to Information

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

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

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

Independence of Independent Non-executive Directors

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

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

Board Meetings

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

Proceedings of the Board

- In accordance with the Bye-laws of the Company, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- At least 14 days' formal notice of a regular Board meeting will be given to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board Meeting. For special Board meeting, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Committee meeting. All Directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.
- A Director may participate in a meeting of the Board by means of a conference telephone. Unless other determined two Directors shall be a quorum.
- Draft and final version of minutes are circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting. All Board and Board Committee minutes or resolutions shall be kept by the Company Secretary or the Committee Secretary and are available for Directors' inspection.

Directors' Attendance at Board Meetings

Five full physical Board meetings were held during the financial year ended 31 December 2013. The attendance of individual Directors at these Board meetings is set out below:

Name of Directors	Number of Board Meeting Attended/Eligible to Attend for the year ended 31 December 2013
Executive Directors	
LO Ka Shui[(1)]	5/5
LO Kai Shui[(2)]	3/5
LO Hong Sui, Antony	4/5
LAW Wai Duen	5/5
KAN Tak Kwong[(3)]	5/5
Attendance Rate:	88.00%
Non-executive Directors	
LO TO Lee Kwan[(4)]	–/5
LO Hong Sui, Vincent	4/5
LO Ying Sui	4/5
Attendance Rate:	53.33%
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	5/5
WONG Yue Chim, Richard	4/5
LEE Pui Ling, Angelina	5/5
ZHU Qi	5/5
Attendance Rate:	95.00%
Overall Attendance Rate	**81.67%**

Notes:

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

Directors' and Officers' Insurance

During the year ended 31 December 2013, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the SFO) as at 31 December 2013, are set out on pages 74 to 76 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2013.

DELEGATION BY THE BOARD

Management Functions

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

Board Committees

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

Audit Committee

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

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

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

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

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

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

(f) to review the implementation and compliance of the Deed of Right of First Refusal dated 10 May 2013 entered into between the Group and LHI regarding the grant of a right of first refusal by the Group to LHI in relation to certain investment and disposal of hotel properties by the Group as more particularly described in the prospectus of LHI in order to maintain a clear delineation of the respective businesses of LHI and that of the Group.

The written terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

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

Audit Committee Meetings held in 2013

During the financial year ended 31 December 2013, two meetings of the Audit Committee were held and all members were present at the meetings. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the internal control system;
- reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored subsequent implementations;
- reviewed the Group's accounting, finance and reporting functions, legal and regulatory, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2012 and the unaudited financial statements for the six months ended 30 June 2013;
- reviewed and approved the draft 2012 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2013 Interim Report and interim results announcement of the Company; and
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration.

Remuneration Committee

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

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

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

The written terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

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

Remuneration Committee Meeting held in 2013

During the financial year ended 31 December 2013, a meeting of Remuneration Committee was held and all members were present at the meeting. The following is a summary of the major work done of the Remuneration Committee at the meeting:

- approved the proposal on 2013 general salary revision of and discretionary bonus distribution to the employees of the Group;
- approved the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group;
- recommended the Directors' fee and remuneration to Non-executive Directors for the year 2013; and
- approved the annual grant of share options of the Group.

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

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

Nomination Committee

The Company established the Nomination Committee in 2005. The written terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

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

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

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

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

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

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

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

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

Nomination Committee Meeting held in 2013

During the financial year ended 31 December 2013, a meeting of Nomination Committee was held and all members were present at the meeting. The following is a summary of the major work done of the Nomination Committee at the meeting:

- reviewed the structure, size and composition of the Board, and the contribution required from the Board members;
- reviewed the independence of Independent Non-executive Directors; and
- approved the nomination of retiring Directors to seek for re-election at the 2013 Annual General Meeting.

At the Nomination Committee Meeting held in January 2014, the Committee, among other matters, reviewed the structure, size and composition of the Board and assessed the independence of the four Independent Non-executive Directors of the Company. The Committee is of the view that the current Board demonstrates a balanced composition with sufficient independence element.

Finance Committee

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

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

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

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

Corporate Governance Function

The Board is responsible for establishing good corporate governance practices and procedures, and reviewing overall corporate governance arrangements to ensure that such arrangements remain appropriate to the needs of the Company. Its duties include:

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

(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 applicable to employees and Directors; and

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

Guidelines, policies, and procedures including a Code of Conduct, a Code of Conduct regarding Securities Transactions by Directors and Relevant Employees, Reporting and Monitoring Policy on Connected Transactions and a Policy on the Preservation and Prevention of Misuse of Inside Information have been established to maintain governance framework of the Group. The Company adheres to strict measures in mitigating the leakage of price sensitive information. The Policy on the Preservation and Prevention of Misuse of Inside Information sets out the Company's overriding principles, monitoring and reporting procedures to preserve the confidentiality of unpublished inside information. The Chairman, General Manager, Company Secretary and the Investment Services Director are identified as the authorized spokespersons of the Company and procedures for responding to external communications are formalized. Complete version of the aforesaid policies and other governance policies are posted on the Company's website at www.GreatEagle.com.hk for Shareholders' information. The respective responsible officers will review these policies from time to time. Any change in control environment or activities which warrant updates to these governance policies will be reported to the Board at regular Board Meetings.

DIRECTORS' REMUNERATION

A Director is entitled to receive a Director's fee of HK$130,000 for the year ended 31 December 2013. The Director's fee had been proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by Shareholders at the 2013 Annual General Meeting, and payable to each Director as ordinary remuneration.

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

	2013 HK$	2012 HK$
Audit Committee		
• Chairman	**210,000**	210,000
• Committee Member	**160,000**	160,000
Remuneration Committee		
• Chairman	**60,000**	60,000
• Committee Member	**50,000**	50,000
Nomination Committee		
• Chairman	**40,000**	40,000
• Committee Member	**30,000**	30,000
Finance Committee	**Nil**	Nil

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2013, the Group entered into certain connected transactions and continuing connected transactions. Disclosure requirements in accordance with the Listing Rules had been fully complied with.

Details of the connected transactions and continuing connected transactions entered during the year and the annual review are set out on pages 77 to 81 in the Report of the Directors contained in this Annual Report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2013, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Certain of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 44 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	31 December 2013 HK$'000	31 December 2012 HK$'000
Services rendered		
Audit services	**8,411**	7,223
Non-audit services		
Taxation services	**680**	429
Interim review fee	**1,310**	860
Initial public offering of LHI	**6,301**	Nil
Other review fees including continuing connected transactions review etc	**442**	756
	17,144	9,268

Note: The total amount of Auditor's Remuneration as disclosed in note 12 to the consolidated financial statements is HK$10,550,000 which comprises audit services provided by other auditors in the total amount of HK$2,139,000.

INTERNAL CONTROLS

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

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

(b) Reliable management reporting system;

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

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

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2013.

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

Based on the Audit Committee's assessment on results of the internal audit reviews for the year ended 31 December 2013, no significant irregularity or deficiency in internal controls has come to the Audit Committee's attention. The Audit Committee therefore concludes that the internal control systems of the Group are adequate and effective.

The Board, based on the review of the Audit Committee, is satisfied that the Group has maintained sound and effective internal control systems for the year ended 31 December 2013.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2013.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on pages 87 and 88 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

Proceedings of General Meetings

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

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Shareholders, the Company has provided registered Shareholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of the Company for the information or action of Shareholders as defined in Rule 1.01 of the Listing Rules) by electronic means through the Company's website or in printed form.

To ensure mutual and efficient communications, the Company meets institutional investors and financial analysts and media regularly at analyst briefings, investor meetings, one-on-one group meetings, local and overseas conference and roadshows. Investors and Shareholders may visit the Company's website for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Board through the Company's website or by email at enquiry@greateagle.com.hk. A financial calendar setting out the important dates is contained in this Annual Report on page 5.

2013 Annual General Meeting

The 2013 Annual General Meeting was held on 3 May 2013 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Professor Wong Yue Chim, Richard, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Kan Tak Kwong had attended the Annual General Meeting. The matters resolved thereat are listed below.

- Received the audited consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 December 2012 together with the Reports of the Directors and Independent Auditor thereon.
- Approved the payment of a Final Dividend of HK43 cents per share.
- Re-elected Mrs. Lee Pui Ling, Angelina as an Independent Non-executive Director.
- Re-elected Mr. Zhu Qi as an Independent Non-executive Director.
- Re-elected Mr. Lo Hong Sui, Antony as an Executive Director.
- Re-elected Dr. Lo Ying Sui as a Non-executive Director.
- Fixed the maximum number of Directors at 15.
- Fixed the ordinary remuneration of HK$130,000 payable to each Director for the year 2013.
- Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorized the Board of Directors to fix their remuneration.
- Approved the grant of a general mandate to the Directors to repurchase shares not exceeding 10% of the issued share capital.
- Approved the grant of a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital.

SHAREHOLDERS' RIGHTS

The Board and Senior Management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. The rights of the Shareholders are set out in the Bye-laws and briefly stated as follows:

(a) Convening a Special General Meeting by Shareholders

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company shall have the right, by written requisitions to the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisitions.

The written requisition must state the purposes of the meeting, and must be signed by the Shareholder(s) concerned and deposited at the principal office of the Company, for the attention of the Company Secretary. It may consist of several documents in like form each signed by one or more Shareholders concerned.

The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the Shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all registered Shareholders. Such general meeting shall be held within 6 weeks after deposit of such requisition.

If, within 21 days from such deposit of the requisition, the Board do not proceed to convene such special general meeting, the Shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

A meeting so convened by the requistionist(s) shall be convened in the same manner as nearly as possible, as that in which meetings are to be convened by the Directors.

Any reasonable expenses incurred by the requistionist(s) by reason of the failure of the Directors duly to convene a meeting shall be reimbursed to the requisitionist(s) by the Company.

(b) Putting Forward Proposals at General Meetings

Shareholder(s) holding not less than one-twentieth of the total voting rights of all the Shareholders or not less than 100 Shareholders, may:

(i) put forward proposals at general meetings; or
(ii) circulate to other Shareholders written statement of not more than 1,000 words with respect to the matter to be dealt with at general meeting.

For further details on the Shareholders qualifications, and the procedure and timeline in connection with the above, Shareholders are kindly requested to refer to Section 79 of the Bermuda Company Act 1981.

Further, a Shareholder may propose a person other than a retiring Director of the Company for election as a Director of the Company at the general meeting, by lodging a written notice of nomination with the consent of nominated person at the principal office of the Company at least 7 days before the date of the general meeting.

(c) Putting Enquiries to the Board

Shareholders may send their enquiries requiring the attention of the Board to the principal office of the Company, for the attention of the Company Secretary. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company Secretary by the same means.

AMENDMENT TO CONSTITUTIONAL DOCUMENT

During the financial year 2013, there is no significant change in the Company's constitutional documents.

EMPLOYEES

During the year, the number of employees of the Group increased approximately 11.75% to 5,584 (2012: 4,997). The change was mainly attributable to the increase in staff in our hotel operations. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Share Option Scheme of the Company.

Ever since 2012, the corporate culture of applying the best practices from "The 7 Habits of Highly Effective People" program and adopting innovative approaches at work has continuously been cultivated. We raise staff awareness through different channels such as training programs, promotional items, forming committee and intranet for staff to express their ideas. In 2013, the Group has further promoted the innovation culture through establishing an on-line platform of Great Eagle Innovation Portal to facilitate exchange of innovative ideas among staff and Business Units/Departments. Besides, the Group has also developed external and in-house designed training programmes in supervisory, management, soft skills as well as technical skills training. The organization strategies are sustainable due to staff involvement and management support. Since strategic alignment plays an important role in organizational development, various strategic planning initiatives will be organized to ensure business objectives are achieved.

Our Hotel Division continues to create a diversified, multiface development platform for our colleagues in 2013. Apart from the around-the-year training calendar, a targeted programme for department heads and executives named APEX "Advanced Programme for Executives" is continued to equip them with essential knowledge, skills and experiences to take up next level or more challenging roles in the future. Colleagues participating in APEX gained various development opportunities, such as targeted work assignments, eCornell training on leadership and hospitality topics and mentor arrangement. Our Hotel Division successfully renewed the Manpower Developer Scheme by the Employee Retraining Board and is continued to be acknowledged as "Manpower Developer 1st." from 2012 to 2014. Langham Place Hotel, Hong Kong won the "Excellence in Practice Citation Award" from American Society for Training and Development (ASTD) in 2013. Also, The Langham, Hong Kong and Langham Place Hotel, Hong Kong received the HR Excellence Awards 2013 by the Hong Kong Institute of Human Resource Management (HKIHRM) in the category of Excellent Reward Management Award and Excellent Business Partner Award, respectively.

"Innovation" is one of the key strategies of the Hotel Division. An electronic platform, "THINK PINK" is established for all colleagues to share their ideas. Each June, all hotels globally participated in the annual Think Pink Festival, to engage the guests and colleagues celebrating the Langham's innovation initiatives. The first Annual Think Pink Ideas Awards is launched in 2013 awarding the hotel that contributed the best idea for "How do we create the Most Unforgettable Arrival and Departure Experience?". Also, a video was shown in the guest rooms, showcasing Langham's innovation with its new products and initiatives.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

The Group's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia and New Zealand. An analysis of the Group's segment results for the year ended 31 December 2013 is set out in note 8 to the consolidated financial statements of this Annual Report.

Particulars of the Company's principal subsidiaries and interests in associates as at 31 December 2013 are set out in notes 45 and 19 to the consolidated financial statements of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK43 cents per share and a special final dividend of HK50 cents per share to the Shareholders whose names appear on the Register of Members of the Company on Wednesday, 14 May 2014. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend and the special final dividend will be made on 18 June 2014. Taken together with the interim dividend of HK23 cents per share and the special interim dividend of HK$1.00 per share paid in October 2013, the total dividend for the year 2013 is HK$2.16 per share.

MOVEMENTS IN RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements.

FIVE YEARS' FINANCIAL SUMMARY

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

FIXED ASSETS

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

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements. All of the Group's investment properties were revalued by independent professional property valuers as at 31 December 2013 using the income capitalisation method and the market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

Details of the major properties of the Group as at 31 December 2013 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 4,979,854 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2012 final dividend and 2,896,500 shares were issued pursuant to the 1999 Share Option Scheme and 2009 Share Option Scheme. As at 31 December 2013, the authorised capital of the Company was HK$400,000,000.00 divided into 800,000,000 shares of HK$0.50 each, 639,275,964 shares of which were issued and credited as fully paid. Details of the movements of the share options during the year are disclosed in the following relevant paragraphs. Changes in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Cheng Hoi Chuen, Vincent, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Mr. Kan Tak Kwong shall retire by rotation and, being eligible, have offered themselves for re-election at the 2014 Annual General Meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management of the Company are set out on pages 46 to 51 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

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

	Number of Ordinary Shares / Underlying Shares						
Name of Director	Personal interests	Family interests	Corporate interests	Trust interests	Number of outstanding share options	Total	Percentage of issued share capital (8)
Lo Ka Shui	56,801,276 (1)	–	3,668,806 (2)	290,704,322 (3)	1,258,000	352,432,404	55.13
Lo Kai Shui	202,973	–	639,146 (4)	211,695,169 (5)	525,000	213,062,288	33.33
Lo To Lee Kwan	999,332	–	4,654,307 (6)	211,695,169 (5)	–	217,348,808	34.00
Cheng Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	0.00
Wong Yue Chim, Richard	10,000	–	–	–	–	10,000	0.00
Lo Hong Sui, Antony	182,126	–	–	211,695,169 (5)	475,000	212,352,295	33.22
Law Wai Duen	1,292,160	–	–	211,695,169 (5)	300,000	213,287,329	33.36
Lo Hong Sui, Vincent	293	–	–	211,695,169 (5)	–	211,695,462	33.11
Lo Ying Sui	1,500,000	–	35,628,206 (7)	211,695,169 (5)	–	248,823,375	38.92
Kan Tak Kwong	1,268,753	–	–	–	1,100,000	2,368,753	0.37

Notes:

(1) Among these 56,801,276 shares, 1,141,390 shares were derivative interests held by Dr. Lo Ka Shui.

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

(3) These 290,704,322 shares comprise:

(i) 211,695,169 shares owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are among the discretionary beneficiaries; and

(ii) 79,009,153 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.

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

(5) These shares are the same parcel of shares referred to in Note (3)(i) above.

(6) These 4,654,307 shares were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of one of these companies.

(7) These 35,628,206 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.

(8) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2013 of 639,275,964 shares.

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

(a) Champion REIT, in which the Group had approximately 60.35% interests in its issued units as at 31 December 2013, is accounted for as a subsidiary of the Company. Dr. Lo Ka Shui had a corporate interest in 1,900,000 units (through companies wholly-owned by him and he is also the director of these companies) of Champion REIT; also, he is the settlor and member of the advisory committee and management committee of a discretionary trust, which held 6,200,000 units of Champion REIT as at 31 December 2013. The definition of "associates" under the SFO caters only to corporations. The disclosure of Dr. Lo Ka Shui's interests in Champion REIT is for the purpose of enhancing the transparency.

(b) LHI, in which the Group had approximately 57.72% interests in its issued share stapled units as at 31 December 2013, is a subsidiary of the Company. Madam Law Wai Duen and Professor Wong Yue Chim, Richard beneficially owned 280,000 and 150,000 share stapled units respectively of LHI as at 31 December 2013. Madam Lo To Lee Kwan had a corporate interest in 306,177 share stapled units (through certain companies wholly-owned by her and she is also a director of one of these companies) of LHI as at 31 December 2013.

(c) Cinderella Media is an associated company of the Company, in which the Group had approximately 18.82% interests in its issued share capital as at 31 December 2013. Dr. Lo Ka Shui beneficially owned 150,000 shares in Cinderella Media, representing approximately 0.045% of its issued share capital.

(d) MGIL is an associated company of the Company, in which the Group had 33.33% interests in the issued share capital as at 31 December 2013. China Xintiandi Investment Company Limited, an indirect wholly owned subsidiary of Shui On Land Limited, was interested in the remaining 66.67% interests in MGIL. Mr. Lo Hong Sui, Vincent and his associates were together entitled to control the exercise of more than 30% voting power at general meetings of Shui On Land Limited.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

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

– Chairman of Shui On Land Limited ("SOL"), the Shui On Group's flagship property development company in the Chinese Mainland with a proven track record in developing large-scale, mixed-use city-core communities and residential development projects. The company was listed on the Hong Kong Stock Exchange in 2006.

– Chairman of China Xintiandi Limited ("CXTD"), a separately managed, wholly-owned subsidiary of SOL. The company is an owner, operator and manager of premium commercial properties in the Chinese Mainland. China Xintiandi's portfolio under its management includes retail, office, hotel, cultural and entertainment properties in Shanghai, Chongqing, Wuhan and Foshan.

– Chairman of SOCAM Development Limited ("SOCAM"), which is principally engaged in property, cement and construction, and has business operations in Hong Kong, Macau, and the Chinese Mainland. The company was listed on the Hong Kong Stock Exchange in 1997.

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

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

DISCLOSURE OF CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS PURSUANT TO CHAPTER 14A OF THE LISTING RULES

The connected transaction and continuing connected transactions which require disclosures in this report are set out as follows:

1. Connected Transaction in relation to the Sub-Contract Works for a Fit-Out Project in Macau

On 13 June 2013, Toptech (Macau) Limited ("Toptech"), an indirect non-wholly owned subsidiary of the Company, accepted the engagement by Pat Davie (Macau) Limited ("Pat Davie") an indirect non-wholly owned subsidiary of SOCAM, as a sub-contractor to carry out the supply and installation of raised floor system and ancillary services for the upper ground floor gaming fit-out works for an integrated resort complex known as "Studio City" at Cotai, Macau (the "Fit-out Project") as specified in the letter of acceptance (the "Letter of Acceptance") issued by Pat Davie on 13 June 2013 and acknowledged by Toptech on the same date in respect of the engagement of Toptech to carry out the sub-contract works for a sub-contract sum of approximately MOP15 million (equivalent to approximately HK$14.44 million), subject to adjustment pursuant to the Letter of Acceptance.

Mr. Lo Hong Sui, Vincent, a Non-executive Director of the Company, is the chairman of SOCAM and together with his associates were entitled to control the exercise of more than 30% of the voting power at general meetings of SOCAM as at the date of the transaction. Accordingly, Pat Davie, being an indirect non-wholly owned subsidiary of SOCAM, was a connected person of the Company and hence the transaction contemplated under the Letter of Acceptance constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Letter of Acceptance was more than 0.1% but less than 5%, the transaction contemplated under the Letter of Acceptance was subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. An announcement in relation to this transaction was made by the Company on 13 June 2013.

2. Connected Transaction in relation to the Provision of Construction Services

On 6 April 2012, Toptech Co. Limited, an indirect non wholly-owned subsidiary of the Company was informed by the China State Construction Engineering Corporation that it won the tender to provide the design, supply and installation of raised floor ("Construction Services") for the development of an area with a gross floor area of approximately 25,000 square metres within Phase I development of super highrise commercial buildings on Plot B11-1/02 of Hua Long Qiao, Yuzhong District of Chongqing, PRC (which has a total gross floor area of approximately 130,000 square metres) (the "Property"). The Property was owned by Chongqing Shui On Tiandi Property Development Company Limited (the "Property Owner"), a company incorporated in the PRC and an indirect non wholly-owned subsidiary of SOL. The contract sum of the Construction Services was RMB6,000,000 (equivalent to approximately HK$7,385,400).

Mr. Lo Hong Sui, Vincent, a Non-executive Director of the Company, and his associates were together entitled to control the exercise of more than 30% voting power at general meetings of SOL as at the date of the transaction. Accordingly, the Property Owner, being an indirect non wholly-owned subsidiary of SOL, was a connected person of the Company and the transaction contemplated under the successful tender to provide Construction Services for the development of the Property (the "Award") constituted a connected transaction of the Company.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated for the Company in respect of the Award was more than 0.1% but less than 5%, the Award was subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. An announcement in relation to this transaction was made by the Company on 9 April 2012. The Construction Services were substantially completed in 2013 and RMB5,371,000 (equivalent to approximately HK$6,767,000) was received by the Group during the year ended 31 December 2013. The balance of the contract sum will be settled in accordance with the terms of the Award. Included in the aforesaid amount, the sum of HK$5,194,000 was booked as revenue in the accounts of Toptech Co. Limited in the financial year 2013.

3. Continuing Connected Transactions in relation to the Hotel Management Agreement and Licence Agreement of The Langham Xintiandi, Shanghai

The Hotel Management Agreement was entered into on 1 April 2010, under which Langham Hotels Shanghai Company Limited, an indirect wholly-owned subsidiary of the Group, was given the exclusive right to manage and operate The Langham Xintiandi, Shanghai ("Langham Xintiandi"), in which the Group has one-third of the interest, for a term of 20 years from the opening of the hotel. The Langham Xintiandi, Shanghai has commenced operation since October 2010. An independent financial advisor has opined that it is normal practice for contracts of this type to be of such duration.

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

Mr. Lo Hong Sui, Vincent, a Non-executive Director of the Company, and his associates have two-third interest in Langham Xintiandi, Accordingly, the transactions under the Hotel Management Agreement and the Licence Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated with reference to the annual caps of the aggregate fee receivable under the Hotel Management Agreement and the Licence Agreement set out below are less than 5%, the agreements and the transactions contemplated thereunder are subject to announcement, reporting and annual review requirements but exempt from independent Shareholders' approval requirements under the Listing Rules. Announcements in relation to the agreements and the renewal of annual caps were made by the Company on 6 April 2012 and 28 January 2014 respectively.

Period	Annual Cap
For the year ended 31 December 2013	HK$98,959,000
For the year ending 31 December 2014	RMB25,000,000 (equivalent to approximately HK$32,000,000)
For the year ending 31 December 2015	RMB27,000,000 (equivalent to approximately HK$35,000,000)
For the year ending 31 December 2016	RMB29,000,000 (equivalent to approximately HK$37,000,000)

4. Continuing Connected Transactions in relation to the Master Agreement with Shui On Development Holding Limited ("SODH") for a joint venture with SOL

The Master Agreement was entered into on 22 August 2011 between Langham Hotels (China) Limited, an indirect wholly-owned subsidiary of the Company, and SODH in furtherance of the JV Project for a term of three years commencing from 22 August 2011 and expiring on 21 August 2014, which shall be automatically renewed for a further term of 3 years each upon expiration of any such term subject to compliance with the applicable disclosure and reporting requirement under the Listing Rules. Under the Master Agreement, members of the Langham Hospitality Group Limited (the "Langham Hospitality Group") may enter into hotel agreements, branded residences agreements and license agreements with members of SOL and its subsidiaries (the "SOL Group") from time to time for the provision of fitting out, centralized services, marketing and management services, and licensing by the Langham Hospitality Group to the hotel complexes and branded residences developed and/or owned by SOL Group or third parties in the name of "88 Tiandi" in English and "八八天地" in Chinese or such other name(s) as the SOL Group and the Langham Hospitality Group may agree. Some of the agreements to be entered into under the Master Agreement may have an initial term ranging from 3 to 15 years. An independent financial advisor has opined that it is normal practice for contracts of this type to be of such duration.

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

By virtue of the controlling interest of Mr. Lo Hong Sui, Vincent and his associates in SOL as mentioned above, the Master Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company.

As the applicable percentage ratios calculated with reference to the above annual caps were more than 0.1 % but less than 5%, the Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing rules. An announcement in relation to the transaction was made by the Company on 22 August 2011.

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

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

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

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the renewed annual caps for the SFK Tenancy Agreements set out below are more than 0.1% but less than 5%, the transactions contemplated under the agreements are subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules. Announcements regarding the Old Tenancy Agreement and New Tenancy Agreement were made by the Company on 30 March 2010 and 20 December 2012 respectively.

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

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

6. Continuing Connected Transactions in relation to the Cleaning Services Contracts with Sun Fook Kong Housing Services Limited ("SFK Services")

As disclosed in the 2012 Final Results Announcement and the 2012 Annual Report of the Company dated 27 February 2013, the application of the new accounting standard under HKFRS 10 (Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants) in the consolidated financial statements of the Group for the accounting periods commencing on January 2013 has resulted in Champion REIT (in which the Group holds approximately 60.35% interest) reclassified from an associate to a subsidiary of the Company with its financial position and results consolidated into the consolidated financial statements of the Group.

SFK Services provides certain cleaning services to the Group and Champion REIT and its subsidiaries (the "Champion REIT Group") under the Great Eagle Centre Cleaning Contracts, the Common Areas Cleaning Contracts, the Public Carpark Cleaning Contracts and the High Block Langham Place Cleaning Contracts (the "Cleaning Services Contracts"). Following the consolidation of Champion REIT into the Group's accounts, Champion REIT is deemed to be a subsidiary and part of the Group under the Listing Rules and transactions entered into by the Champion REIT Group are regarded as transactions entered into by the Group.

Mr. Lo Kai Shui, the Deputy Managing Director of the Company, through his controlled companies, is entitled to control the exercise of more than 30% of the voting power at general meeting of SFK Group which in turn indirectly holds the entire issued share capital of SFK Services. Accordingly, SFK Services constitutes a connected person of the Company and transactions entered into between the Group/Champion REIT Group and SFK Services constitute connected transactions of the Company.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps amount of the transactions contemplated under the Cleaning Services Contracts set out below are more than 0.1% but less than 5%, the transactions contemplated under the Cleaning Services Contracts are only subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules. An announcement in relation to the Cleaning Services Contracts was made by the Company on 27 February 2012.

Annual Caps of the aggregate amounts payable by the Group to SFK Services are as follows:

Period	**Annual Cap**
For the year ended 31 March 2013	HK$13,800,000
For the year ending 31 March 2014	HK$14,100,000

Review of Continuing Connected Transactions

The amount of transactions for the agreements as mentioned in paragraphs 3 to 6 above for the year ended 31 December 2013 are as follows:

	2013 HK$'000
Under the Hotel Management and Licence Agreement in paragraph 3 above	**17,363**
Under the Master Agreement in paragraph 4 above	**1,998**
Under the SFK Tenancy Agreements in paragraph 5 above	**7,191**
Under the Cleaning Services Contracts in paragraph 6 above	**12,805**

In accordance with Rule 14A.37 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2013 and confirmed they have been entered into:

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

(2) on normal commercial terms; and

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

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

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

SHARE OPTION SCHEMES

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

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

Further details of the 1999 Share Option Scheme and 2009 Share Option Scheme are set out in note 38 to the consolidated financial statements.

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

During the year ended 31 December 2013, the details of the movements in the share options granted to the Company's employees (including Directors) under the 1999 Share Option Scheme and 2009 Share Option Scheme are as follows:

	Number of Share Options						
Date of grant	**Outstanding as at 01/01/2013**	**Grant during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31/12/2013**	**Exercise Period**	**Exercise price per share (HK$)**
08/01/2009[(1)]	501,000	–	(283,000)	–	218,000	09/01/2011-08/01/2014	9.34
04/03/2010[(2)]	2,446,000	–	(1,581,500)	–	864,500	05/03/2012-04/03/2015	22.80
07/03/2011[(2)]	2,728,000	–	(1,032,000)	(75,000)	1,621,000	08/03/2013-07/03/2016	26.18
08/03/2012[(2)]	3,075,000	–	–	(154,000)	2,921,000	09/03/2014-08/03/2017	23.20
06/06/2013[(2)]	–	3,353,000 [(3)]	–	(187,000)	3,166,000	07/06/2015-06/06/2018	31.45
Total	8,750,000	3,353,000	(2,896,500)	(416,000)	8,790,500		

Notes:

(1) Share options were granted under the 1999 Share Option Scheme.
(2) Share options were granted under the 2009 Share Option Scheme.
(3) During the year ended 31 December 2013, 1,230,000 and 2,123,000 share options were granted to the Directors and employees of the Group respectively.
(4) During the year ended 31 December 2013, no share options were cancelled.
(5) Consideration paid for each grant of share options was HK$1.00.
(6) The vesting period for the share options granted is 24 months from the date of grant.
(7) The closing price of the shares of the Company immediately before the date of grant of 6 June 2013, i.e. 5 June 2013 was HK$31.40.

2. Movements of the Share Options granted to Directors

During the year ended 31 December 2013, the details of the movements in the Share Options granted to Directors of the Company (some are also substantial Shareholders) under the 1999 Share Option Scheme and 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

		Number of Share Options						
	Date of grant	Outstanding as at 01/01/2013	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2013	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Directors								
Lo Ka Shui	04/03/2010[2]	620,000	–	(620,000)	–	–	22.80	32.89
	07/03/2011[2]	622,000	–	(622,000)	–	–	26.18	32.89
	08/03/2012[2]	628,000	–	–	–	628,000	23.20	N/A
	06/06/2013[2]	–	630,000	–	–	630,000	31.45	N/A
		1,870,000	630,000	(1,242,000)	–	1,258,000		
Lo Kai Shui	08/01/2009[1]	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010[2]	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011[2]	100,000	–	–	–	100,000	26.18	N/A
	08/03/2012[2]	100,000	–	–	–	100,000	23.20	N/A
	06/06/2013[2]	–	100,000	–	–	100,000	31.45	N/A
		425,000	100,000	–	–	525,000		
Lo Hong Sui, Antony	08/01/2009[1]	125,000	–	(125,000)	–	–	9.34	32.00
	04/03/2010[2]	150,000	–	–	–	150,000	22.80	N/A
	07/03/2011[2]	125,000	–	–	–	125,000	26.18	N/A
	08/03/2012[2]	100,000	–	–	–	100,000	23.20	N/A
	06/06/2013[2]	–	100,000	–	–	100,000	31.45	N/A
		500,000	100,000	(125,000)	--	475,000		
Law Wai Duen	04/03/2010[2]	100,000	–	(100,000)	–	–	22.80	32.89
	07/03/2011[2]	100,000	–	–	–	100,000	26.18	N/A
	08/03/2012[2]	100,000	–	–	–	100,000	23.20	N/A
	06/06/2013[2]	–	100,000	–	–	100,000	31.45	N/A
		300,000	100,000	(100,000)	–	300,000		
Kan Tak Kwong	04/03/2010[2]	200,000	–	–	–	200,000	22.80	N/A
	07/03/2011[2]	300,000	–	–	–	300,000	26.18	N/A
	08/03/2012[2]	300,000	–	–	–	300,000	23.20	N/A
	06/06/2013[2]	–	300,000	–	–	300,000	31.45	N/A
		800,000	300,000	–	–	1,100,000		
Employees (other than Directors of the Company)	08/01/2009[1]	251,000	–	(158,000)	–	93,000	9.34	32.00
	04/03/2010[2]	1,276,000	–	(835,500)	–	440,500	22.80	32.89
	07/03/2011[2]	1,481,000	–	(410,000)	(34,000)	1,037,000	26.18	32.89
	08/03/2012[2]	1,847,000	–	–	(63,000)	1,784,000	23.20	N/A
	06/06/2013[2]	–	2,123,000	–	–	2,123,000	31.45	N/A
		4,855,000	2,123,000	(1,403,500)	(97,000)	5,477,500		

Notes:

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

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

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

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

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

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

Share options granted on 06/06/2013 are exercisable during the period from 07/06/2015 to 06/06/2018.

(3) During the year ended 31 December 2013, no share options were cancelled.

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

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

(6) The closing price of the shares of the Company immediately before the date of grant of 6 June 2013, i.e. 5 June 2013 was HK$31.40.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2013, the interests and short positions of persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

Long Positions in Shares of the Company

Name of Shareholders	Number of shares	Percentage of issued share capital[(5)]
HSBC International Trustee Limited	293,857,464[(1)]	45.97
Powermax Agents Limited[(2)]	157,027,227	24.56
Surewit Finance Limited[(3)]	47,186,851	7.38
Adscan Holdings Limited[(4)]	35,628,206	5.57

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form with the date of relevant event as 31 December 2013 received from HITL. According to the latest disclosures made by the Directors of the Company, as at 31 December 2013:

(i) 211,695,169 shares representing 33.11% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are among the discretionary beneficiaries.

(ii) 79,009,153 shares representing 12.36% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.

(2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 157,027,227 shares held by it were among the shares referred to in Note (1)(i) above.

(3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 47,186,851 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is the sole director of this company.

(4) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, who is also a director of this company. On 10 July 2013, Dr. Lo Ying Sui's family interest in 3,764 shares was transferred to this company. During the year, Dr. Lo Ying Sui's personal interest in 2,355,046 shares was also transferred to this company.

(5) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2013 of 639,275,964 shares.

Save as disclosed above, as at 31 December 2013, no person (other than Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 74 to 76) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save and except the 1999 Share Option Scheme and 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Option Schemes" on pages 82 to 84 of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

DONATIONS

The Group's charitable and other donations during the year amounted to HK$711,410 (2012: HK$491,857).

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on Wednesday, 30 April 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 52 to 71 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

CSR has been integral to the Group's business ever since the Group's founding in 1963. Our commitment to CSR stems from a core belief that our business will prosper as the community and environment around us flourish. A full report on CSR is set out on pages 30 to 45 of this Annual Report.

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

Hong Kong, 26 February 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 89 to 194, which comprise the consolidated and Company's statements of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 February 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Revenue	7	**7,301,014**	6,746,623
Cost of goods and services		**(4,050,484)**	(3,668,741)
Operating profit before depreciation		**3,250,530**	3,077,882
Depreciation		**(403,739)**	(372,610)
Operating profit		**2,846,791**	2,705,272
Other income	9	**245,547**	55,734
Fair value changes on investment properties	17	**1,119,261**	3,870,472
Reversal of impairment loss in respect of a hotel property	16	**149,170**	–
Fair value change of derivative components of convertible bonds		**308,236**	(149,966)
Fair value changes on derivative financial instruments		**812**	1,035
Fair value changes on financial assets designated at fair value through profit or loss		**37,170**	–
Gain on conversion of convertible bonds	33	**29,302**	–
Administrative and other expenses		**(340,948)**	(255,099)
Finance costs	10	**(545,171)**	(404,140)
Share of results of associates		**(9,514)**	21,221
Share of results of a joint venture		**(36,681)**	(9,899)
Profit before tax		**3,803,975**	5,834,630
Income taxes	11	**(426,312)**	(442,980)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	12	**3,377,663**	5,391,650
Profit for the year attributable to:			
Owners of the Company		**2,399,472**	3,551,830
Non-controlling interests		**71,893**	836
		2,471,365	3,552,666
Non-controlling unitholders of Champion REIT		**906,298**	1,838,984
		3,377,663	5,391,650
Earnings per share:			
Basic	15	**HK$3.76**	HK$5.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (restated)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	**3,377,663**	5,391,650
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	**72,930**	13,975
Reclassification adjustment upon disposal of available-for-sale investments	**(20,587)**	–
Exchange differences arising on translation of foreign operations	**(109,781)**	111,127
Share of other comprehensive (expense) income of associates	**(6,826)**	31
Share of other comprehensive income of a joint venture	**18,671**	5,119
Cash flow hedges:		
Fair value adjustment on cross currency swaps designated as cash flow hedge	**(41,833)**	–
Reclassification of fair value adjustments to profit or loss	**(3,081)**	–
Other comprehensive (expense) income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**(90,507)**	130,252
Total comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**3,287,156**	5,521,902
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,326,773**	3,682,082
Non-controlling interests	**71,893**	836
	2,398,666	3,682,918
Non-controlling unitholders of Champion REIT	**888,490**	1,838,984
	3,287,156	5,521,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31.12.2013 HK$'000	31.12.2012 HK$'000 (restated)	1.1.2012 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	16	**13,390,302**	11,216,070	10,140,331
Investment properties	17	**68,586,519**	63,630,210	59,736,676
Interests in associates	19	**391,939**	555,556	514,852
Investment in a joint venture	20	**630,700**	648,710	653,490
Available-for-sale investments	21	**1,159,141**	133,711	92,775
Derivative financial instruments	22	**43**	–	–
Notes receivable	23	**186,304**	–	77,697
Restricted cash	24	**13,048**	122,487	12,295
		84,357,996	76,306,744	71,228,116
Current assets				
Inventories	25	**106,490**	93,754	95,240
Debtors, deposits and prepayments	26	**604,243**	551,447	457,893
Financial assets designated at fair value through profit or loss	27	**1,851,224**	–	–
Derivative financial instruments	22	**771**	–	–
Notes receivable	23	**8,875**	–	96,251
Tax recoverable		**63,634**	1,257	1,798
Short term loan receivable	28	**67,072**	–	–
Bank balances and cash	24	**10,711,723**	4,962,339	3,732,040
		13,414,032	5,608,797	4,383,222
Current liabilities				
Creditors, deposits and accruals	30	**2,933,907**	2,479,684	2,247,230
Provision for taxation		**116,386**	217,159	144,821
Distribution payable		**250,202**	256,562	285,442
Derivative financial instruments		**–**	–	903
Borrowings due within one year	32	**7,042,379**	3,329,626	2,585,306
Convertible bonds	33	**–**	3,051,344	–
		10,342,874	9,334,375	5,263,702
Net current assets (liabilities)		**3,071,158**	(3,725,578)	(880,480)
Total assets less current liabilities		**87,429,154**	72,581,166	70,347,636
Non-current liabilities				
Derivative financial instruments	31	**41,833**	–	131
Borrowings due after one year	32	**16,281,686**	10,371,674	10,216,343
Medium term note	34	**3,065,494**	–	–
Convertible bonds	33	**–**	–	2,798,333
Deferred taxation	35	**953,067**	787,752	626,915
		20,342,080	11,159,426	13,641,722
NET ASSETS		**67,087,074**	61,421,740	56,705,914

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Note	**31.12.2013 HK$'000**	31.12.2012 HK$'000 (restated)	1.1.2012 HK$'000 (restated)
Equity attributable to:				
Owners of the Company				
Share capital	36	**319,638**	315,700	314,533
Share premium and reserves		**49,636,387**	42,455,304	37,668,567
		49,956,025	42,771,004	37,983,100
Non-controlling interests		**(855,761)**	2,859	–
		49,100,264	42,773,863	37,983,100
Net assets attributable to non-controlling unitholders of Champion REIT		**17,986,810**	18,647,877	18,722,814
		67,087,074	61,421,740	56,705,914

The consolidated financial statements on pages 89 to 194 were approved and authorised for issue by the Board of Directors on 26 February 2014 and are signed on its behalf by:

Lo Ka Shui
DIRECTOR

Lo Kai Shui
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment in a subsidiary	18	**1,836,909**	1,572,734
Amount due from a subsidiary	29	**18,735,825**	19,000,000
		20,572,734	20,572,734
Current assets			
Prepayments		**289**	292
Amount due from a subsidiary	29	**2,247,427**	2,873,930
Bank balances and cash		**5,915**	7,688
		2,253,631	2,881,910
Current liability			
Accruals		**6,611**	8,674
Net current assets		**2,247,020**	2,873,236
NET ASSETS		**22,819,754**	23,445,970
Share capital and reserves			
Share capital	36	**319,638**	315,700
Reserves	37	**22,500,116**	23,130,270
TOTAL EQUITY		**22,819,754**	23,445,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company															
	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note a)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012 (originally stated)	314,533	(4,583)	3,928,316	23,788	23,109	3,054	400,965	95,158	42,956	–	–	28,761,826	33,589,122	–	–	33,589,122
Prior year adjustments in respect of change in accounting policy	–	–	–	–	–	–	–	–	–	–	182,217	4,211,761	4,393,978	18,722,814	–	23,116,792
At 1 January 2012 (restated)	314,533	(4,583)	3,928,316	23,788	23,109	3,054	400,965	95,158	42,956	–	182,217	32,973,587	37,983,100	18,722,814	–	56,705,914
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	3,551,830	3,551,830	1,838,984	836	5,391,650
Fair value gain on available-for-sale investments	–	–	–	13,975	–	–	–	–	–	–	–	–	13,975	–	–	13,975
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	111,127	–	–	–	–	111,127	–	–	111,127
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	31	–	–	–	–	31	–	–	31
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	–	5,119	–	–	–	–	5,119	–	–	5,119
Total comprehensive income for the year	–	–	–	13,975	–	–	–	116,277	–	–	–	3,551,830	3,682,082	1,838,984	836	5,521,902
Transactions with non-controlling unitholders of Champion REIT:																
Distributions to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	(534,573)	–	(534,573)
	–	–	–	–	–	–	–	–	–	–	–	–	–	(534,573)	–	(534,573)
Transactions with owners:																
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(396,814)	(396,814)	–	–	(396,814)
Shares issued at premium	1,457	–	52,662	–	–	–	–	–	(1,860)	–	–	–	52,259	–	–	52,259
Share issue expenses	–	–	(80)	–	–	–	–	–	–	–	–	–	(80)	–	(2)	(82)
Shares repurchased and cancelled	(290)	4,583	(8,692)	–	–	–	–	–	–	–	–	–	(4,399)	–	–	(4,399)
Increase of interests in a subsidiary (note b)	–	–	–	–	–	–	–	–	–	–	1,438,246	–	1,438,246	(1,379,348)	–	58,898
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	16,610	–	–	–	16,610	–	–	16,610
Lapse of share options	–	–	–	–	–	–	–	–	(11,911)	–	–	11,911	–	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,025	2,025
At 31 December 2012 (restated)	315,700	–	3,972,206	37,763	23,109	3,054	400,965	211,435	45,795	–	1,620,463	36,140,514	42,771,004	18,647,877	2,859	61,421,740

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company															
	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note a)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013 (restated)	315,700	-	3,972,206	37,763	23,109	3,054	400,965	211,435	45,795	-	1,620,463	36,140,514	42,771,004	18,647,877	2,859	61,421,740
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	2,399,472	2,399,472	906,298	71,893	3,377,663
Change in fair value of cash flow hedges	-	-	-	-	-	-	-	-	-	(27,106)	-	-	(27,106)	(17,808)	-	(44,914)
Fair value gain on available-for-sale investments	-	-	-	72,930	-	-	-	-	-	-	-	-	72,930	-	-	72,930
Reclassification adjustment upon disposal of available-for-sale investments	-	-	-	(20,587)	-	-	-	-	-	-	-	-	(20,587)	-	-	(20,587)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(109,781)	-	-	-	-	(109,781)	-	-	(109,781)
Share of other comprehensive expense of associates	-	-	-	(10)	-	-	-	(6,816)	-	-	-	-	(6,826)	-	-	(6,826)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	18,671	-	-	-	-	18,671	-	-	18,671
Total comprehensive income (expense) for the year	-	-	-	52,333	-	-	-	(97,926)	-	(27,106)	-	2,399,472	2,326,773	888,490	71,893	3,287,156
Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	-	(488,831)	-	(488,831)
	-	-	-	-	-	-	-	-	-	-	-	-	-	(488,831)	-	(488,831)
Transaction with owners: Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(1,058,993)	(1,058,993)	-	-	(1,058,993)
Shares issued at premium	3,938	-	242,469	-	-	-	-	-	(21,130)	-	-	-	225,277	-	-	225,277
Share issue expenses	-	-	(121)	-	-	-	-	-	-	-	-	-	(121)	-	-	(121)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	15,042	-	-	-	15,042	-	-	15,042
Increase of interests in subsidiaries (note c)	-	-	-	-	-	-	-	-	-	-	600,661	-	600,661	(1,108,297)	9,347	(498,289)
Recognised on disposal of interests in subsidiaries without losing control (note d)	-	-	-	-	-	-	-	-	-	-	5,076,382	-	5,076,382	47,571	(939,860)	4,184,093
At 31 December 2013	319,638	-	4,214,554	90,096	23,109	3,054	400,965	113,509	39,707	(27,106)	7,297,506	37,480,993	49,956,025	17,986,810	(855,761)	67,087,074

Note a: Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.

Note b: It represents the effect from the Group's increase in interests in Champion REIT upon the settlement of management fees in units, conversion of convertible bonds into Champion REIT units and purchase of units from the market by the Group.

Note c: It represents the effect from the Group's increase in interests in Champion REIT and Langham upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.

Note d: It represents the effect from the decrease in the Group's interest in:

(i) Langham upon spin-off on 29 May 2013 that resulted in a disposal of 42.6% equity interests. An amount of HK$5,076,382,000 recognised in other reserves represented the IPO proceeds less the net asset value of Langham attributable to non-controlling shareholders as at the spin-off date; and

(ii) Champion REIT due to the conversion of convertible bonds into Champion REIT units by other bondholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (restated)
Operating activities		
Profit before tax	**3,803,975**	5,834,630
Adjustments for:		
Fair value changes on investment properties	**(1,119,261)**	(3,870,472)
Fair value changes on derivative components of convertible bonds	**(308,236)**	149,966
Interest income	**(151,035)**	(39,071)
Reversal of impairment loss in respect of a hotel property	**(149,170)**	–
Gain on conversion of convertible bonds	**(29,302)**	–
Gain on disposal of available-for-sale investments	**(20,587)**	–
Dividends received from listed available-for-sale investments	**(13,780)**	(3,267)
Fair value changes on financial assets designated at fair value through profit or loss	**(37,170)**	–
Fair value changes on derivative financial instruments	**(812)**	(1,035)
Interest expense	**545,171**	404,140
Depreciation	**403,739**	372,610
Share of results of a joint venture	**36,681**	9,899
Recognition of share-based payments	**15,042**	16,610
Share of results of associates	**9,514**	(21,221)
Impairment loss on an unlisted available-for-sale investment	**7,794**	–
Allowance for doubtful debts	**991**	–
Loss on disposal of property, plant and equipment	**410**	152
Exchange differences	**257**	–
Fitting-out works of hotel buildings written off	**105**	673
Recovery of bad debts written off	**–**	(405)
Operating cash flows before movements in working capital	**2,994,326**	2,853,209
Decrease (increase) in debtors, deposits and prepayments	**11,449**	(92,109)
(Increase) decrease in inventories	**(12,736)**	1,486
Increase in creditors, deposits and accruals	**327,140**	218,170
Cash generated from operations	**3,320,179**	2,980,756
Hong Kong Profits Tax paid	**(412,304)**	(193,339)
Other jurisdictions tax paid	**(16,513)**	(23,462)
Hong Kong Profits Tax refunded	**14,137**	101
Other jurisdictions tax refunded	**–**	15
Net cash from operating activities	**2,905,499**	2,764,071

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (restated)
Investing activities		
Acquisitions of investment properties	**(3,635,294)**	–
Additions of property, plant and equipment	**(2,610,827)**	(1,302,879)
Increase in financial assets designated at fair value through profit or loss	**(1,814,054)**	–
Additions of available-for-sale investments	**(1,166,510)**	(26,961)
Additions of notes receivable	**(193,105)**	(22,157)
Additions of investment properties	**(110,279)**	(25,108)
Addition of short term loan receivable	**(67,072)**	–
Placement of restricted cash	**(6,826)**	(116,265)
Advances to an associate	**(322)**	(49,551)
Proceeds on disposal of available-for-sale investments	**206,532**	–
Repayment from associates	**124,101**	1,137
Withdrawal of restricted cash	**116,265**	6,073
Interest received	**85,799**	38,031
Dividends received from associates	**23,498**	28,962
Dividends received from listed available-for-sale investments	**13,780**	3,267
Proceeds on disposal of property, plant and equipment	**91**	814
Additions of structured deposits	**–**	(23,468)
Proceeds on redemption of notes receivable	**–**	195,926
Proceeds on redemption of structured deposits	**–**	24,656
Net cash used in investing activities	**(9,034,223)**	(1,267,523)
Financing activities		
New bank loans raised	**12,614,194**	2,234,205
Proceeds from partial disposal of interests in subsidiaries	**4,260,870**	–
Proceeds from issuance of medium term note	**3,100,982**	–
Issue of shares	**65,601**	5,399
Repayments of bank loans	**(2,808,650)**	(1,375,525)
Redemption of convertible bonds	**(2,406,481)**	–
Dividends paid to shareholders	**(899,438)**	(350,034)
Acquisition of additional interests in subsidiaries	**(498,289)**	(16,339)
Distribution paid to non-controlling unitholders of Champion REIT	**(495,425)**	(528,471)
Interest paid	**(379,788)**	(225,117)
Settlement upon conversion of convertible bonds	**(322,940)**	–
Bank origination fees	**(166,608)**	(19,740)
Transaction costs for partial disposal of interest in a subsidiary	**(124,348)**	–
Transaction costs for the issuance of medium term note	**(39,230)**	–
Repurchase of shares	**–**	(4,399)
Incentive payment on conversion of convertible bond	**–**	(89)
Contribution from non-controlling interests	**–**	2,025
Net cash from (used in) financing activities	**11,900,450**	(278,085)
Net increase in cash and cash equivalents	**5,771,726**	1,218,463
Effect of foreign exchange rates changes	**(22,342)**	11,836
Cash and cash equivalents at the beginning of the year	**4,962,339**	3,732,040
Cash and cash equivalents at the end of the year	**10,711,723**	4,962,339
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	**10,711,723**	4,962,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

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

The principal activity of the Company is investment holding.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad, the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about the fair value measurements, except for a few exceptions.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application (see notes 6 and 17 to the consolidated financial statements for the disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1. The amendments to HKAS 1 introduce a new terminology for the statement of comprehensive income and the income statement. Under the amendment to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit and loss. The Directors of the Company have decided to retain the use of the previous terminology in the consolidated financial statements. Furthermore, the amendment to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that the items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC)-Int 12 "Consolidation-Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As at 23 July 2010, the Group held 51.28% ownership interest in Champion Real Estate Investment Trust ("Champion REIT"), which is listed on the Stock Exchange. At that time, the Group's 51.28% ownership interest in Champion REIT gave the Group the same percentage of the voting rights in Champion REIT and the remaining 48.72% of the units of Champion REIT are owned by numerous unitholders, none individually holding more than one per cent with the exception of two unitholders who held 3.33% and 1.54% respectively. Since then the Group continued to hold increasing ownership interests in Champion REIT and as at 31 December 2013, the Group has a 60.35% ownership interest. The Directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over Champion REIT in accordance with the new definition of control and the related guidance set out in HKFRS 10. The Directors of the Company concluded that, solely for the purpose of HKFRS 10, it would have had control over Champion REIT since 23 July 2010 based on the facts and circumstances, among others, the Group's absolute size of holding in Champion REIT and the relative size and dispersion of the unitholdings owned by the other unitholders. Details are set out in note 4. Therefore, in accordance with the requirements of HKFRS 10, Champion REIT has been a subsidiary of the Company. Previously, Champion REIT was treated as an associate of the Group and accounted for using the equity method of accounting. Comparative figures for 2012 and related amount as at 1 January 2012 have been restated in accordance with the relevant transitional provisions set out in HKFRS 10.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors of the Company reviewed and assessed the classification of the Group's investment in joint arrangement in accordance with the requirements of HKFRS 11. The Directors concluded that the Group's investment in Wealth Joy Holdings Limited ("Wealth Joy"), which was classified as a jointly controlled entity under HKAS 31, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method. The Group's investment in Wealth Joy has been applied in accordance with the relevant transitional provisions set out in HKFRS 11.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 19, 20 and 45 for details).

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the preceding year by line items presented in the consolidated income statement and consolidated statement of comprehensive income is as follows:

Impact on profit and other comprehensive income for the year:

	Year ended 31/12/2012 HK$'000
Increase in revenue	1,753,296
Increase in costs of goods and services	(290,934)
Increase in fair value changes on investment properties	3,435,451
Decrease in fair value changes of derivative financial instruments	(42,697)
Decrease in fair value of derivative components of convertible bonds	(149,966)
Decrease in other income	(100,970)
Increase in administrative and other expenses	(17,605)
Increase in finance costs	(296,502)
Decrease in share of results of associates	(2,230,860)
Increase in income taxes	(220,229)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	1,838,984
Profit for the year attributable to:	
Owners of the Company	–
Non-controlling interests	–
	–
Non-controlling unitholders of Champion REIT	1,838,984
	1,838,984
Other comprehensive expense for the year attributable to:	
Owners of the Company	–
Non-controlling interests	–
	–
Non-controlling unitholders of Champion REIT	–
	–
	1,838,984

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Summary of the effect of the above changes in accounting policy (continued)

The effect of the change in accounting policy described above on the assets and liabilities of the Group as at the end of the immediately preceding financial year 31 December 2012 and 1 January 2012 are as follows:

	As at 31 December 2012 (originally stated) HK$'000	Adjustments HK$'000	As at 31 December 2012 (restated) HK$'000
Investment properties	**5,333,210**	**58,297,000**	**63,630,210**
Interests in associates	**20,679,926**	**(20,124,370)**	**555,556**
Debtors, deposits and prepayments	**490,956**	**60,491**	**551,447**
Tax recoverable	**–**	**1,257**	**1,257**
Bank balances and cash	**3,565,257**	**1,397,082**	**4,962,339**
Creditors, deposits and accruals	**(1,021,938)**	**(1,457,746)**	**(2,479,684)**
Provision for taxation	**(96,331)**	**(120,828)**	**(217,159)**
Distribution payable	**–**	**(256,562)**	**(256,562)**
Borrowings	**(3,776,462)**	**(9,924,838)**	**(13,701,300)**
Convertible bonds	**–**	**(3,051,344)**	**(3,051,344)**
Deferred taxation	**(447,711)**	**(340,041)**	**(787,752)**
Net assets attributable to non-controlling unitholders of Champion REIT	**–**	**(18,647,877)**	**(18,647,877)**
		5,832,224	

	As at 1 January 2012 (originally stated) HK$'000	Adjustments HK$'000	As at 1 January 2012 (restated) HK$'000
Investment properties	4,879,376	54,857,300	59,736,676
Interests in associates	16,460,751	(15,945,899)	514,852
Investment in convertible bonds	2,834,389	(2,834,389)	–
Debtors, deposits and prepayments	423,417	34,476	457,893
Tax recoverable	–	1,798	1,798
Bank balances and cash	2,439,288	1,292,752	3,732,040
Creditors, deposits and accruals	(817,682)	(1,429,548)	(2,247,230)
Provision for taxation	(70,833)	(73,988)	(144,821)
Distribution payable	–	(285,442)	(285,442)
Borrowings	(3,394,168)	(9,407,481)	(12,801,649)
Convertible bonds	–	(2,798,333)	(2,798,333)
Deferred taxation	(332,461)	(294,454)	(626,915)
Net assets attributable to non-controlling unitholders of Champion REIT	–	(18,722,814)	(18,722,814)
		4,393,978	

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Summary of the effect of the above changes in accounting policy (continued)

Impact on cash flows:

	Year ended 31/12/2012 HK$'000
Net cash inflow from operating activities	1,449,537
Net cash outflow from investing activities	(1,151,694)
Net cash outflow from financing activities	(193,513)
Net cash inflow	104,330

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first time annual HKFRS financial statements beginning on or after 1 January 2016.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting. Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company anticipate that the application of HKFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis.

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holding of other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

Investment in a subsidiary

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

Investments in associates and a joint venture

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or joint venture are initially recognised in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and a joint venture (continued)

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

Revenue recognition

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

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

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

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

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

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

Service income is recognised when services are provided.

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

Agency commission income is recognised when services are rendered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Impairment losses on tangible assets

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

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

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

The Group as lessee

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 6(f).

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

Financial liabilities and equity

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors, distribution payable, borrowings, medium term note and liability component of the convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivative components (including early redemption option which is not closely related to the host liability component, and conversion option) are classified separately into the respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of Champion REIT's own units is a conversion option derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

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

Hedge accounting

The Group uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

Equity-settled share-based payment transactions

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies

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

Control over Champion REIT

As at 23 July 2010, the Group has held 51.28% ownership in Champion REIT. Champion REIT is listed on the Stock Exchange and subject to the deed of trust dated 26 April 2006, as amended from time to time. HSBC Institutional Trust Services (Asia) Limited (the "Trustee") has the fiduciary duty to hold the assets of Champion REIT for the benefit of the holders and to oversee the activities of the REIT Manager for compliance in which the Trustee has merely protective rights. The remaining 48.72% of shareholdings are owned by numerous unitholders, none individually holding more than one per cent with the exception of two unitholders who held 3.33% and 1.54% respectively. Since then the Group continued to hold increasing ownership interests in Champion REIT and as at 31 December 2013, the Group has a 60.35% ownership interest. Additionally, the Group achieves control over Champion REIT through the REIT Manager, who is a wholly owned subsidiary of the Company. Details of Champion REIT are set out in note 45.

The Directors assessed whether or not the Group has control over Champion REIT based on whether the Group has the practical ability to direct the relevant activities of Champion REIT unilaterally. In making their judgment, the Directors considered the Group's absolute size of holding in Champion REIT and the relative size of and dispersion of the unitholdings owned by the other unitholders, and other facts and circumstances. After assessment, the Directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Champion REIT and therefore the Group has control over Champion REIT and is accounted for as a subsidiary of the Group since 23 July 2010.

Deferred taxation on investment properties

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Investment properties

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

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

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

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

Derivative financial instruments

In addition, as described in notes 22, 31 and 33, the fair values of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps and derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. For derivative components of convertible bonds, assumptions are made based on market data such as historical volatility of Champion REIT's unit prices. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

Where the actual future market data varies, a material adjustment on the fair values of derivative financial assets classified as held-for-trading, cross currency swaps and derivative components of convertible bonds may arise. In relying on the valuation provided by counterparty financial institutions and independent valuer, respectively, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Valuation processes of fair value

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include borrowings and medium term note disclosed in notes 32 and 34 respectively, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates to fixed-rate short term bank deposits, other borrowings, debt portion of the convertible bonds, unsecured bonds included in notes receivable, short term loan receivable and medium term note.

The Group's exposure to cash flow interest rate risk is resulted primarily from fluctuations in interest rates of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from variable rate borrowings.

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

The interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings and notes receivable at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2013 would decrease/increase by HK$75,860,000 (2012 (restated): HK$55,546,000).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group has certain bank deposits, medium term note, financial assets at FVTPL, currency linked notes designated at FVTPL, short term loan receivable and notes receivable that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign exchange derivative contracts.

The Group's medium term note is denominated in a foreign currency (i.e. United States dollars ("US$")) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term note. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 31 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

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

	Assets		Liabilities	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Renminbi ("RMB")	**6,206,881**	–	**–**	–
Pound Sterling	**121,635**	118,894	**–**	–
US$	**576,650**	1,155,392	**3,067,258**	3,385
Euro dollars	**5,128**	9,776	**–**	4,572
Australian dollars	**9,642**	11,128	**–**	–
New Zealand dollars	**67,154**	65,499	**–**	–
Canadian dollars	**133,070**	144,290	**–**	–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US$, no material currency risk exposure is expected on US$ denominated monetary assets and monetary liabilities and the cross currency swaps. Therefore they are excluded from the sensitivity analysis below. 10% (2012: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2012: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2012: 10%) against the relevant currency. For a 10% (2012: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit before tax for the year, and the balances below would be negative.

	2013 HK$'000	2012 HK$'000
RMB	**617,953**	–
Pound Sterling	**12,164**	11,889
Euro dollars	**513**	520
Australian dollars	**964**	1,113
New Zealand dollars	**6,715**	6,550
Canadian dollars	**13,307**	14,429

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Other price risk

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

Sensitivity analysis

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

If the prices of the listed available-for-sale equity investments had been 10% (2012: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$103,025,000 (2012: HK$7,918,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

If the share prices of the equity instruments underlying the equity linked notes had been 5% higher, so it does not trigger the strike price, there would be no change in profit before tax whereas if the prices had been 5% lower, the profit before tax for the year ended 31 December 2013 would decrease by HK$8,330,000 as a result of changes in fair value of financial assets designated at FVTPL.

If the inputs for volatility to the valuation of the derivative components of the convertible bonds had been 5% higher/lower while all other variables were held constant, the profit before tax for the year ended 31 December 2012 would decrease/increase by HK$10,485,000/HK$10,382,000 as a result of the changes in fair value of derivative components of the convertible bonds.

(b) Liquidity risk

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

The Group has cash and cash equivalents of HK$10,711,723,000 as at 31 December 2013 (2012 (restated): HK$4,962,339,000). In addition to the cash resources, the Group has available borrowing facilities of which undrawn committed facility in the form of revolving bank loans amounted to HK$750,000,000 as at 31 December 2013 (2012 (restated): HK$1,250,000,000).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The Group established a US$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. As detailed in note 34, as at 31 December 2013, the Group issued an aggregate principal amount of US$400,000,000 was issued and a balance of US$600,000,000 under the guaranteed medium term note programme was available for issuance.

At 31 December 2012, the Group's net current liabilities were HK$3,725,578,000, which was resulted from borrowings and convertible bonds of HK$6,380,970,000 at 31 December 2012 falling due within one year after the end of the reporting period. The Directors considered that these bank loans and convertible bonds could be renewed on the strength of the Group's earnings and asset base so that the Group would have adequate sources of funding to finance its activities and liquidity.

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

	Interest rate	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	3 to 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
THE GROUP										
2013										
Non-interest bearing	**–**	**999,869**	**–**	**–**	**–**	**–**	**–**	**–**	**999,869**	**999,869**
Fixed interest rate instruments	**3.75% to 6.09%**	**49,158**	**49,166**	**98,223**	**839,485**	**489,002**	**116,310**	**3,741,305**	**5,382,649**	**4,163,539**
Variable interest rate instruments	**0.88% to 4.91%**	**97,613**	**7,075,631**	**151,098**	**2,514,970**	**9,108,225**	**1,109,443**	**2,957,880**	**23,014,860**	**22,226,020**
		1,146,640	**7,124,797**	**249,321**	**3,354,455**	**9,597,227**	**1,225,753**	**6,699,185**	**29,397,378**	**27,389,428**
2012 (restated)										
Non-interest bearing	–	697,104	–	–	–	–	–	–	697,104	697,104
Fixed interest rate instruments	3.84% to 6.38%	108,142	2,822,388	10,957	21,842	21,836	372,548	–	3,357,713	3,237,080
Variable interest rate instruments	0.78% to 5.92%	658,244	2,507,580	212,279	7,096,113	2,310,494	112,524	595,478	13,492,712	13,207,001
		1,463,490	5,329,968	223,236	7,117,955	2,332,330	485,072	595,478	17,547,529	17,141,185

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

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

	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
THE GROUP							
2013							
Derivatives gross settlement							
Currency forward contracts							
– inflow	**1,936**	**1,753**	**16,001**	**1,680**	**–**	**–**	**21,370**
– outflow	**(1,858)**	**(1,680)**	**(15,382)**	**(1,636)**	**–**	**–**	**(20,556)**
	78	**73**	**619**	**44**	**–**	**–**	**814**
Cross currency swaps							
– inflow	**55,859**	**–**	**55,859**	**111,718**	**335,154**	**3,606,461**	**4,165,051**
– outflow	**(55,009)**	**(3,585)**	**(57,796)**	**(116,469)**	**(349,448)**	**(3,624,577)**	**(4,206,884)**
	850	**(3,585)**	**(1,937)**	**(4,751)**	**(14,294)**	**(18,116)**	**(41,833)**
2012							
Derivatives gross settlement							
Currency forward contracts							
– inflow	3,228	17,220	12,060	–	–	–	32,508
– outflow	(3,341)	(17,290)	(11,877)	–	–	–	(32,508)
	(113)	(70)	183	–	–	–	–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

The Group's and the Company's principal financial assets in which credit risk is primarily attributable to financial assets at FVTPL, available-for-sale debt investments, notes receivable, amount due from a subsidiary, amounts due from associates, debtors, short term loan receivable, restricted cash and bank balances and cash. The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2013 and 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's statements of financial position.

The credit risk on liquid funds, notes receivables and financial assets designated at FVTPL is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

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

Other than concentration of credit risk on the Company's amount due from a subsidiary and the Group's amounts due from associates, short term loan receivable, notes receivable and financial assets designated at FVTPL, the Group and the Company have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	THE GROUP	
	2013 HK$'000	2012 HK$'000 (restated)
Financial assets		
Loans and receivables		
Trade debtors	**301,250**	287,632
Other receivables	**74,029**	12,399
Notes receivable	**195,179**	–
Amounts due from associates	**156,373**	280,152
Restricted cash	**13,048**	122,487
Short term loan receivable	**67,072**	–
Bank balances and cash	**10,711,723**	4,962,339
	11,518,674	5,665,009
Financial assets at FVTPL		
Financial assets designated at fair value through profit or loss	**1,851,224**	–
Derivative financial instruments classified as held-for-trading	**814**	–
	1,852,038	–
Available-for-sale financial assets		
Available-for-sale investments	**1,159,141**	133,711
Financial liabilities		
Financial liability at FVTPL		
Derivative components of convertible bonds	**–**	308,563
Financial liabilities at amortised costs		
Trade creditors	**191,674**	204,366
Other payables	**557,993**	236,176
Distribution payable	**250,202**	256,562
Borrowings	**23,324,065**	13,701,300
Medium term note	**3,065,494**	–
Liability component of convertible bonds	**–**	2,742,781
	27,389,428	17,141,185
Derivative instruments in designated hedge accounting relationship		
Derivative financial instruments	**41,833**	–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments (continued)

	THE COMPANY	
	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables		
Amount due from a subsidiary	**20,983,252**	21,873,930
Bank balances and cash	**5,915**	7,688
	20,989,167	21,881,618

(e) Fair value

The fair values of financial assets and financial liabilities, including listed available-for-sale investments, derivative financial instruments, financial assets at FVTPL and derivative components of convertible bonds, are determined as detailed in note 6(f). The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated and the Company's financial statements approximate their fair values.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2013				
Financial assets				
Financial assets at FVTPL				
Financial assets designated at fair value through profit or loss	**–**	**1,851,224**	**–**	**1,851,224**
Derivative financial instruments classified as held-for-trading	**–**	**814**	**–**	**814**
Available-for-sale investments				
Listed equity securities	**1,030,253**	**–**	**–**	**1,030,253**
Listed debt securities	**75,439**	**–**	**–**	**75,439**
Total	**1,105,692**	**1,852,038**	**–**	**2,957,730**
Financial liabilities				
Derivative financial liabilities	**–**	**41,833**	**–**	**41,833**
2012				
Financial assets				
Available-for-sale investments				
Listed equity securities	79,175	–	–	79,175
Financial liabilities				
Derivative components of convertible bonds	–	–	308,563	308,563

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2013 HK$'000	2012 HK$'000		
Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position.	**1,030,253**	79,175	Level 1	Quoted bid prices in an active market.
Listed debt securities classified as available-for-sale investments in the consolidated statement of financial position.	**75,439**	–	Level 1	Quoted bid prices in an active market.
Equity and currency link notes classified as financial assets designated at fair value through profit or loss in the consolidated statement of financial position.	**1,851,224**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties.
Foreign currency derivative contracts classified as derivative financial instruments in the consolidated statement of financial position.	**814**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2013 HK$'000	2012 HK$'000		
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position.	**41,833**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates discounted at a rate that reflects the credit risk of various counterparties.
Derivative components of convertible bonds classified as derivative financial instruments in the consolidated statement of financial position.	**–**	308,563	Level 3	Binomial model. Refer to note 33 and 6(a), for key inputs and sensitivity analysis, respectively.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative components of convertible bonds HK$'000
As at 1 January 2012	(206,041)
Change in fair value	(149,966)
Conversion during the year	47,444
As at 31 December 2012	(308,563)
Change in fair value	308,236
Conversion during the year	327
As at 31 December 2013	–

The above change in fair value is reported as "change in fair value of derivative components of convertible bonds" in the consolidated income statement.

7. REVENUE

Revenue represents the aggregate of gross rental income, building management service income, income from hotel operations, proceeds from sales of building materials, dividend income from investments, property management and maintenance income, property agency commission and income from fitness centre and restaurant operations.

	2013 HK$'000	2012 HK$'000 (restated)
Property rental income	**2,272,258**	2,136,399
Building management service income	**212,896**	194,562
Hotel income	**4,434,379**	4,094,726
Sales of goods	**194,662**	150,309
Dividend income	**13,780**	3,267
Others	**173,039**	167,360
	7,301,014	6,746,623

8. SEGMENT INFORMATION

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of each listed group, including Great Eagle Holdings Limited, Champion REIT and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). During the year, the Group has completed a separate spin-off of three Hong Kong hotel properties, resulting in the listed company, Langham and therefore its segment information is separately disclosed in the current year. Additionally, the results of the Group, with the exclusion of results of Champion REIT and Langham, are reported in more detailed reportable segments. As such, comparative information for segment reporting has been restated. The Group's operating and reportable segments under HKFRS 8 are as follows:

Property investment	– gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Hotel operation	– hotel accommodation, food and banquet operations as well as hotel management.
Other operations	– sales of building materials, restaurant operation, fitness centre operation, investment in securities, provision of property management, maintenance and property agency services.
Results from Champion REIT	– based on published financial information of Champion REIT.
Results from Langham	– based on published financial information of Langham.

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expense and services fees. Segment results of other operating segments represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors' salaries, share of results of associates, share of results of a joint venture, depreciation, fair value changes on investment properties and derivative financial instruments, financial assets designated at fair value through profit or loss, reversal of impairment loss in respect of a hotel property, gain on conversion of convertible bond, other income, finance costs and income taxes. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (continued)

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

Segment revenue and results

2013

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE								
External revenue	334,454	4,434,379	381,481	5,150,314	2,147,736	2,964	–	7,301,014
Inter-segment revenue	–	47,091	316,287	363,378	31,532	468,800	(863,710)	–
Total	334,454	4,481,470	697,768	5,513,692	2,179,268	471,764	(863,710)	7,301,014

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

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS								
Segment results	209,613	672,926	460,844	1,343,383	1,538,066	394,392	(25,311)	3,250,530
Depreciation				(313,243)	–	(90,496)		(403,739)
Operating profit after depreciation				1,030,140	1,538,066	303,896	(25,311)	2,846,791
Fair value changes on investment properties				288,720	808,988	–	21,553	1,119,261
Fair value changes on derivative financial instruments				812	308,236	–		309,048
Fair value changes on financial assets designated at FVTPL				37,170	–	–		37,170
Gain on conversion of convertible bonds				–	29,302	–		29,302
Reversal of impairment loss in respect of a hotel property				149,170	–	–		149,170
Other income				90,060	–	4,452		94,512
Administrative and other expenses				(281,055)	(20,707)	(42,944)	3,758	(340,948)
Net finance costs				6,484	(329,019)	(71,601)		(394,136)
Share of results of associates				(9,514)	–	–		(9,514)
Share of results of a joint venture				(36,681)	–	–		(36,681)
Profit before tax				1,275,306	2,334,866	193,803		3,803,975
Income taxes				(262,725)	(136,212)	(27,375)		(426,312)
Profit for the year				1,012,581	2,198,654	166,428		3,377,663
Less: Profit attributable to non-controlling interests/non-controlling unitholders of Champion REIT				(1,533)	(906,298)	(70,360)		(978,191)
Profit attributable to owners of the Company				1,011,048	1,292,356	96,068		2,399,472

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2012

	Property investment HK$'000 (restated)	Hotel operation HK$'000 (restated)	Other operations HK$'000 (restated)	Sub-total HK$'000 (restated)	Champion REIT HK$'000 (restated)	Eliminations HK$'000 (restated)	Consolidated HK$'000 (restated)
REVENUE							
External revenue	301,135	4,094,726	320,936	4,716,797	2,029,826	–	6,746,623
Inter-segment revenue	–	–	276,530	276,530	29,188	(305,718)	–
Total	301,135	4,094,726	597,466	4,993,327	2,059,014	(305,718)	6,746,623

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

	Property investment HK$'000 (restated)	Hotel operation HK$'000 (restated)	Other operations HK$'000 (restated)	Sub-total HK$'000 (restated)	Champion REIT HK$'000 (restated)	Eliminations HK$'000 (restated)	Consolidated HK$'000 (restated)
RESULTS							
Segment results	196,424	1,045,773	373,323	1,615,520	1,465,904	(3,542)	3,077,882
Depreciation				(372,610)	–		(372,610)
Operating profit after depreciation				1,242,910	1,465,904	(3,542)	2,705,272
Fair value changes on investment properties				435,021	3,435,451		3,870,472
Fair value changes on derivative financial instruments				43,732	(192,663)		(148,931)
Gain on conversion of convertible bonds				–	90,107	(90,107)	–
Other income				16,663	–		16,663
Administrative and other expenses				(237,494)	(21,147)	3,542	(255,099)
Net finance costs				32,403	(397,472)		(365,069)
Share of results of associates				21,221	–		21,221
Share of results of a joint venture				(9,899)	–		(9,899)
Profit before tax				1,544,557	4,380,180		5,834,630
Income taxes				(222,751)	(220,229)		(442,980)
Profit for the year				1,321,806	4,159,951		5,391,650
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT				(836)	(1,838,984)		(1,839,820)
Profit attributable to owners of the Company				1,320,970	2,320,967		3,551,830

No segment revenue and results for Langham is presented as it was listed on 30 May 2013.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

31 December 2013

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Property investment (note a)	**7,281,271**	**3,860,127**	**3,421,144**
Hotel operation (note a)	**10,714,163**	**2,883,688**	**7,830,475**
Other operations (note a)	**436,813**	**150,114**	**286,699**
Unallocated	**11,967,036**	**133,356**	**11,833,680**
Great Eagle operations (note b)	**30,399,283**	**7,027,285**	**23,371,998**
Champion REIT (note c)	**37,914,539**	**10,156,565**	**27,757,974**
Langham (note c)	**10,148,763**	**3,989,897**	**6,158,866**

31 December 2012

	Assets HK$'000 (restated)	Liabilities HK$'000 (restated)	Net Assets HK$'000 (restated)
Property investment (note a)	5,540,951	2,211,940	3,329,011
Hotel operation (note a)	12,120,390	2,843,667	9,276,723
Other operations (note a)	576,710	166,173	410,537
Unallocated	3,921,659	123,520	3,798,139
Great Eagle operations (note b)	22,159,710	5,345,300	16,814,410
Champion REIT (note c)	34,653,272	8,696,678	25,956,594

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, equity securities classified as available-for-sale, inventories, notes receivable, financial assets designated at fair value through profit or loss and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, provision for taxation and deferred taxation attributable to respective operating segments.

(b) In addition to the major items discussed in note (a), included in the assets and liabilities are cash of HK$8,893,354,000 (2012: HK$3,565,257,000) and borrowings of HK$5,082,384,000 (2012: HK$3,794,515,000), representing net cash of HK$3,810,970,000 as at 31 December 2013 (2012: net debts of HK$229,258,000).

(c) Assets and liabilities of Champion REIT and Langham are based on published results of Champion REIT and Langham, excluding distribution payable attributable from Champion REIT of HK$380,824,000 (2012: HK$352,271,000) at the respective interests held by Great Eagle Holdings Limited, being 60.35% and 57.72%, respectively (2012: 57.86% interests in Champion REIT). Additionally, the assets of Langham include the hotel properties' appraised value of HK$16,696,000,000 as at 31 December 2013. No segment assets and liabilities for Langham were presented as at 31 December 2012 as it was listed on 30 May 2013.

8. SEGMENT INFORMATION (continued)

Geographical information

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

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

	Revenue from external customers		Carrying amounts of non-current assets	
	2013 HK$'000	2012 HK$'000 (restated)	**2013 HK$'000**	2012 HK$'000 (restated)
Hong Kong	**4,433,464**	4,184,865	**70,243,958**	67,008,249
The USA	**955,625**	718,253	**7,613,078**	3,497,563
Canada	**485,109**	526,344	**734,966**	766,931
The United Kingdom	**552,956**	528,747	**1,971,400**	1,973,973
Australia	**563,119**	500,936	**985,754**	1,161,246
New Zealand	**267,970**	255,362	**426,250**	436,580
Others	**42,771**	32,116	**1,415**	1,738
	7,301,014	6,746,623	**81,976,821**	74,846,280

Information about major customers

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

9. OTHER INCOME

	2013 HK$'000	2012 HK$'000 (restated)
Interest income on:		
Bank deposits	**136,148**	36,238
Financial assets designated at fair value through profit or loss	**8,996**	–
Listed debt securities	**2,252**	–
Notes receivable	**3,639**	2,833
	151,035	39,071
Net exchange gain	**71,210**	14,098
Gain on disposal of available-for-sale investments	**20,587**	–
Recovery of bad debts written off	**–**	405
Sundry income	**2,715**	2,160
	245,547	55,734

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000 (restated)
Interest on bank borrowings wholly repayable within five years	**260,121**	170,959
Interest on other loans wholly repayable within five years	**42,356**	33,372
Interest on convertible bonds wholly repayable within five years	**69,969**	160,244
Interest on medium term note not wholly repayable within five years	**107,648**	–
Other borrowing costs	**65,077**	39,565
	545,171	404,140

11. INCOME TAXES

	2013 HK$'000	2012 HK$'000 (restated)
Current tax:		
Current year:		
Hong Kong Profits Tax	**202,819**	275,484
Other jurisdictions	**34,536**	17,800
	237,355	293,284
Under(over)provision in prior years:		
Hong Kong Profits Tax	**10,404**	(2,265)
Other jurisdictions	**4,541**	(1,665)
	14,945	(3,930)
	252,300	289,354
Deferred tax (note 35):		
Current year	**219,212**	141,242
(Over)underprovision in prior years	**(40,857)**	12,384
Attributable to change in tax rate	**(4,343)**	–
	174,012	153,626
	426,312	442,980

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

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

	2013 HK$'000	2012 HK$'000 (restated)
Profit before tax	**3,803,975**	5,834,630
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**627,656**	962,714
Tax effect of expenses that are not deductible for tax purpose	**32,726**	57,850
Tax effect of income that is not taxable for tax purpose	**(247,236)**	(651,626)
(Over)underprovision in prior years	**(25,912)**	8,454
Tax effect of share of results of associates	**1,570**	(3,501)
Tax effect of share of results of a joint venture	**6,052**	1,633
Tax effect of tax losses not recognised	**27,805**	52,185
Utilisation of tax losses previously not recognised	**(100,207)**	(35,053)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**97,252**	47,943
Others	**6,606**	2,381
Tax charge for the year	**426,312**	442,980

12. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**1,817,401**	1,695,541
Share based payments (including Directors' emoluments)	**15,042**	16,610
	1,832,443	1,712,151
Depreciation	**403,739**	372,610
Auditor's remuneration	**10,550**	8,735
Trustee's remuneration	**10,534**	9,978
Allowance for doubtful debts (included in other expenses)	**991**	–
Cost of inventories recognised as an expense	**589,765**	542,377
Fitting-out works of hotel building written off (included in other expenses)	**105**	673
Impairment loss on an unlisted available-for-sale investment	**7,794**	–
Listing expenses in relation to the spin-off of Langham (note)	**40,960**	–
Loss on disposal of property, plant and equipment	**410**	152
Operating lease payments on rented premises	**15,512**	6,002
Share of tax of associates (included in the share of results of associates)	**3,902**	10,111
and after crediting:		
Dividend income from listed available-for-sale investments	**13,780**	3,267
Gain on disposal of listed available-for-sale investments	**20,587**	–
Net exchange gain	**70,626**	14,098
Recovery of bad debts written off	**–**	405
Rental income from investment properties less related outgoings of HK$314,863,000 (2012 (restated): HK$274,195,000)	**1,957,395**	1,862,204

Note: The amount represents the portion of listing expenses recognised in the profit or loss of which HK$34,748,000 was borne by Langham.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the twelve (2012: twelve) Directors were as follows:

2013

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	**130**	**–**	**–**	**–**	**–**	**130**
Dr. LO Ka Shui	**130**	**10,500**	**5,787**	**3,331**	**434**	**20,182**
Mr. LO Kai Shui	**130**	**1,514**	**254**	**530**	**69**	**2,497**
Mr. CHENG Hoi Chuen, Vincent	**420**	**–**	**–**	**–**	**–**	**420**
Professor WONG Yue Chim, Richard	**380**	**–**	**–**	**–**	**–**	**380**
Mrs. LEE Pui Ling, Angelina	**380**	**–**	**–**	**–**	**–**	**380**
Mr. Zhu Qi	**290**	**–**	**–**	**–**	**–**	**290**
Mr. LO Hong Sui, Antony	**130**	**1,335**	**244**	**544**	**67**	**2,320**
Madam LAW Wai Duen	**130**	**539**	**99**	**530**	**27**	**1,325**
Mr. LO Hong Sui, Vincent	**130**	**–**	**–**	**–**	**–**	**130**
Dr. LO Ying Sui	**130**	**–**	**–**	**–**	**–**	**130**
Mr. KAN Tak Kwong	**130**	**5,099**	**2,252**	**1,591**	**255**	**9,327**
	2,510	**18,987**	**8,636**	**6,526**	**852**	**37,511**

2012

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**13,824**	14,910
Discretionary bonuses	**2,711**	1,582
Share options	**820**	925
Retirement benefits scheme contributions	**764**	960
	18,119	18,377

	2013 Number of employees	2012 Number of employees
Bands:		
HK$4,500,001 - HK$5,000,000	**1**	–
HK$5,000,001 - HK$5,500,000	**–**	1
HK$5,500,001 - HK$6,000,000	**1**	–
HK$6,000,001 - HK$6,500,000	**–**	1
HK$6,500,001 - HK$7,000,000	**–**	1
HK$7,000,001 - HK$7,500,000	**1**	–
	3	3

14. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends paid:		
– Final dividend of HK43 cents in respect of the financial year ended 31 December 2012 (2012: HK40 cents in respect of the financial year ended 31 December 2011) per ordinary share	**272,684**	251,604
– Interim dividend of HK23 cents in respect of the financial year ended 31 December 2013 (2012: HK23 cents in respect of the financial year ended 31 December 2012) per ordinary share	**147,033**	145,210
– Special interim dividend of HK$1 in respect of the financial year ended 31 December 2013 (2012: nil) per ordinary share	**639,276**	–
	1,058,993	396,814

On 21 June 2013, a final dividend of HK43 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2012 (2012: final dividend of HK40 cents in respect of the financial year ended 31 December 2011). The scrip dividend alternatives were accepted by the shareholders as follows:

	2013 HK$'000	2012 HK$'000
Dividends:		
Cash	**113,129**	204,824
Share alternative	**159,555**	46,780
	272,684	251,604

	2013 HK$'000	2012 HK$'000
Dividends proposed:		
– Proposed final dividend of HK43 cents in respect of the financial year ended 31 December 2013 (2012: HK43 cents in respect of the financial year ended 31 December 2012) per ordinary share	**274,889**	271,502
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2013 (2012: nil) per ordinary share	**319,638**	–
	594,527	271,502

The proposed final dividends in respect of the financial year ended 31 December 2013 is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

	2013 HK$	2012 HK$
Earnings per share:		
Basic	**3.76**	5.63
Diluted	**3.32**	5.58

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

	2013 HK$'000	2012 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**2,399,472**	3,551,830
Adjustment to earnings on assumed conversion of convertible bonds in Champion REIT (note)	**(272,939)**	(24,589)
Earnings for the purpose of diluted earnings per share	**2,126,533**	3,527,241

	2013	2012
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**638,390,959**	631,186,495
Effect of dilutive potential shares:		
Share options	**1,274,695**	417,885
Weighted average number of shares for the purpose of diluted earnings per share	**639,665,654**	631,604,380

Note:

The holders of the convertible bonds in Champion REIT were entitled to convert their bonds into units of Champion REIT. For accounting purpose, the adjustment has taken into account (i) the aggregate effect of interest on convertible bonds, change in fair value of derivative components of convertible bonds, and gain on conversion of convertible bonds attributable to owners of the Company and (ii) the change in earnings attributable to the owners of the Company due to change in the Group's unitholding in Champion REIT as a result of the assumed conversion of the convertible bonds at the beginning of the period. The aforesaid assumed conversion did not actually take place and the relevant convertible bonds in Champion REIT were fully redeemed in June 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
THE GROUP									
COST									
At 1 January 2012	1,302,832	2,349,418	9,258,229	517,979	135,114	1,006,276	3,582	81	14,573,511
Exchange adjustments	32,969	–	147,664	(1,251)	–	18,012	–	–	197,394
Additions	44,002	–	266,423	714,913	–	282,099	–	36	1,307,473
Disposals/written off	–	–	(774)	–	–	(3,338)	–	–	(4,112)
At 31 December 2012	1,379,803	2,349,418	9,671,542	1,231,641	135,114	1,303,049	3,582	117	16,074,266
Exchange adjustments	(23,115)	–	(179,627)	488	–	(46,358)	–	2	(248,610)
Additions	333,422	–	1,522,605	418,189	–	330,892	999	11	2,606,118
Transfer in (out)	–	–	1,484,566	(1,650,318)	–	165,752	–	–	–
Disposals/written off	–	–	–	–	–	(16,303)	(1,038)	(1)	(17,342)
At 31 December 2013	**1,690,110**	**2,349,418**	**12,499,086**	**–**	**135,114**	**1,737,032**	**3,543**	**129**	**18,414,432**
DEPRECIATION AND IMPAIRMENT									
At 1 January 2012	217,824	733,328	2,724,566	–	20,358	734,207	2,864	33	4,433,180
Exchange adjustments	1,052	–	40,821	–	–	13,006	–	–	54,879
Charge for the year	–	44,765	195,187	–	5,275	127,122	242	19	372,610
Eliminated on disposals/ written off	–	–	–	–	–	(2,473)	–	–	(2,473)
At 31 December 2012	218,876	778,093	2,960,574	–	25,633	871,862	3,106	52	4,858,196
Exchange adjustments	90	–	(50,015)	–	–	(28,123)	–	1	(78,047)
Charge for the year	–	44,764	216,266	–	5,275	137,122	292	20	403,739
Impairment loss (reversed) recognised in profit or loss	(19,270)	–	(140,790)	–	–	10,890	–	–	(149,170)
Eliminated on disposals/ written off	–	–	–	–	–	(9,550)	(1,038)	–	(10,588)
At 31 December 2013	**199,696**	**822,857**	**2,986,035**	**–**	**30,908**	**982,201**	**2,360**	**73**	**5,024,130**
CARRYING AMOUNTS									
At 31 December 2013	**1,490,414**	**1,526,561**	**9,513,051**	**–**	**104,206**	**754,831**	**1,183**	**56**	**13,390,302**
At 31 December 2012	1,160,927	1,571,325	6,710,968	1,231,641	109,481	431,187	476	65	11,216,070

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$330,892,000 (2012: HK$282,099,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$95,928,000 (2012: HK$88,001,000), HK$14,655,000 (2012: HK$26,196,000) and HK$49,534,000 (2012: nil), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years respectively.

At 31 December 2013, the leasehold land with carrying amounts of HK$1,508,292,000 (2012: HK$1,552,897,000) and HK$18,269,000 (2012: HK$18,428,000) as at 31 December 2013 are situated in Hong Kong under medium-term and long-term leases and are finance lease in nature, respectively. Freehold land is situated outside Hong Kong.

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

At 31 December 2013, the Directors conducted an impairment assessment on hotel properties, a reversal of impairment loss in the amount of HK$149,170,000 (2012: nil) was made for a hotel property located in the USA. The recoverable amounts of the hotel properties located in the USA at 31 December 2013 were determined higher than their carrying amounts and the carrying amount was increased to an amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The recoverable amount of the hotel properties (comprising freehold land and hotel buildings) were determined by value in use which were estimated using the future cash flows expected to arise and suitable discount rate of 10% in order to calculate the present values.

17. INVESTMENT PROPERTIES

	THE GROUP	
	2013 HK$'000	**2012 HK$'000 (restated)**
FAIR VALUE		
At 1 January	**63,630,210**	59,736,676
Exchange adjustments	**312**	(2,471)
Acquisitions of investment properties	**3,726,894**	–
Additions	**109,842**	25,533
Increase in fair value recognised in the consolidated income statement	**1,119,261**	3,870,472
At 31 December	**68,586,519**	63,630,210

(a) The Group's property interests situated in Hong Kong of HK$65,825,320,000 (2012 (restated): HK$62,543,520,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. INVESTMENT PROPERTIES (continued)

(b) On 11 July 2013, the Group completed the acquisition of certain properties in Citibank Tower for a consideration of HK$2,155,302,000. Transaction costs included a stamp duty of HK$183,201,000, acquisition fees of HK$100,000 and other transaction costs of HK$325,000.

In October 2013, the Group completed the acquisition of an investment property located in San Francisco for a consideration of US$179,000,000 (equivalent to approximately HK$1,387,966,000).

(c) Included in the fair value of investment properties as at 31 December 2013 is HK$68,491,799 which is categorised as level 3 fair value hierarchy with movement as follows:

	2013 HK$'000
FAIR VALUE	
At 1 January	**63,535,490**
Exchange adjustments	**312**
Acquisitions of investment properties	**3,726,894**
Additions	**109,534**
Unrealised gain recognised in the consolidated income statement	**1,119,569**
At 31 December	**68,491,799**

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

	THE GROUP	
	2013 HK$'000	2012 HK$'000 (restated)
Long leases in Hong Kong	**4,022,600**	4,047,520
Medium-term leases in Hong Kong	**61,802,720**	58,496,000
Freehold land outside Hong Kong	**2,761,199**	1,086,690
	68,586,519	63,630,210

(e) The fair value of the Group's investment properties at 31 December 2013 and 2012 has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong - Knight Frank Petty Limited, Savills Valuation and Professional Services Limited

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

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2013						
Commercial property in Wan Chai, Hong Kong	3,373,600	Level 3	Net income method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 4.3% for office and 4.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	37,900,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.3% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	23,609,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% for both the office and retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished Apartments in Hong Kong	848,000	Level 3	Net income method The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.5% to 4.0%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (i)

17. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
Apartments in Hong Kong	94,720	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	
Commercial properties in West Coast of United States	2,761,199	Level 3	Yield capitalisation method – income capitalisation approach The key inputs are: (i) discount rate; (ii) terminal capitalisation rate; and (iii) annual income	Discounts rate, taking into account the internal rate of return, 7.25% to 9.25%.	The higher the discount rate, the lower the fair value.	Note (ii)
				Termination capitalisation rate, taking into account net realisable value at the end of the holding period, of 6% to 7.5%.	The higher the termination capitalisation rate, the lower the fair value.	Note (ii)
				Annual income, taking into account projected net operating income and capital expenditures.	The higher the annual income, the higher the fair value.	Note (i)

Notes:

(i) A significant change in the unobservable inputs would result in a significant higher or lower fair value measurement.

(ii) There is no indication that any slight change in the unobservable input would result in a significant higher or lower fair value measurement.

There were no transfers into or out of Level 3 during the year.

18. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at deemed cost	**1,836,909**	1,572,734

Particulars regarding the principal subsidiaries are set out in note 45.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2013 HK$'000	2012 HK$'000 (restated)
Cost of investment in associates: Unlisted associates in Hong Kong	**12**	12
Unlisted associate in the People's Republic of China ("PRC") (note a)	**189,198**	189,198
Listed associates in Hong Kong	**2,596**	2,596
Share of post acquisition profit and other comprehensive income, net of dividend received	**43,760**	83,598
	235,566	275,404
Amounts due from associates (note b)	**156,373**	280,152
	391,939	555,556
Fair value of listed associates, based on market share price	**184,574**	140,777

Notes:

(a) The Group acquired one-third of the entire issued share capital of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited ("SOI") for a consideration of US$24,118,000 (equivalent to HK$188,120,000) in August 2010. MGIL was subsequently acquired by a wholly owned subsidiary of Shui On Land Limited ("SOL") in September 2011. Both SOI and SOL are related companies in which a Director of the Company who is also a close family member of the chairman and managing director of the Group has controlling interest. MGIL indirectly holds a hotel property in the Luwan District, Shanghai and the Group provides hotel management and related services to MGIL (see note 44).

(b) During the year ended 31 December 2013, the Group has received from MGIL repayment of HK$123,779,000 (2012: further injected HK$49,551,000 to MGIL for funding the outstanding construction costs payable and bank loan obligations). The outstanding amounts were unsecured, interest-free and have no fixed repayment terms. The associates are not expected to repay within twelve months from the end of the reporting period and the balances are classified as non-current.

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

At the end of the reporting period, fair values of listed associates are determined on the number of shares held by the Group and by reference to the closing prices of an active market.

Particulars regarding the associates are set out in note 46.

19. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2013 HK$'000	2012 HK$'000
Magic Garden Investments Limited		
Current assets	**21,755**	37,836
Non-current assets	**2,014,603**	2,112,825
Current liabilities	**(238,526)**	(651,359)
Non-current liabilities	**(1,006,657)**	(213,310)
Revenue	**282,849**	244,930
Fair value changes on investment properties	**3,663**	(6,754)
Loss for the year	**(100,379)**	(29,854)
Other comprehensive expense for the year	**(23,098)**	–

Reconciliation of the above summarised financial information to the carrying amounts of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Magic Garden Investments Limited	**791,175**	1,285,992
Proportion of the Group's ownership interest in Magic Garden Investments Limited	**33.33%**	33.33%
Deemed capital contribution	**1,881**	1,881
Carrying amount of the Group's interest in Magic Garden Investments Limited	**265,606**	430,545

Aggregate information of associates that are not individually material:

	2013 HK$'000	2012 HK$'000
The Group's share of profit for the year	**23,946**	31,172
The Group's share of other comprehensive income	**873**	31
The Group's share of total comprehensive income	**24,819**	31,203
Dividends received from associates during the year	**23,498**	28,962
Aggregate carrying amount of the Group's interests in these associates	**126,333**	125,011

20. INVESTMENT IN A JOINT VENTURE

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Cost of investment in a joint venture	**632,612**	632,612
Share of post acquisition results and other comprehensive income	**(1,912)**	16,098
	630,700	648,710

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly owned subsidiary of the Company and an independent third party investor (the "Investor") in February 2010, the financial and operating policies of Wealth Joy that significantly affect the return of Wealth Joy, require unanimous consent from the Group and the Investor, accordingly Wealth Joy is accounted for as a joint arrangement. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Wealth Joy, the Group has accounted for Wealth Joy as a joint venture.

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

The Group's interest in the joint venture amounting to HK$630,700,000 (2012: HK$648,710,000) as at 31 December 2013 are accounted for using the equity method in these consolidated financial statements.

Particulars regarding the joint venture are set out in note 47.

The summarised financial information in respect of the Group's interest in the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	2013 HK$'000	2012 HK$'000
Current assets	**2,270,673**	1,791,432
Non-current assets	**9,652**	1,202
Current liabilities	**(254,905)**	(114,224)
Non-current liability	**(764,020)**	(380,990)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**133,274**	194,804
Current financial liabilities (excluding trade and other payables and provisions)	**(106,628)**	(52,152)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(764,020)**	(380,990)

20. INVESTMENT IN A JOINT VENTURE (continued)

	2013 HK$'000	2012 HK$'000
Income recognised in profit or loss	**246**	60
Expenses recognised in profit or loss	**(73,608)**	(19,858)
Other comprehensive income for the year	**37,342**	10,238
The above profit (loss) for the year includes the following:		
Depreciation and amortisation	**(1,348)**	(514)
Interest income	**46**	18
Interest expense	**–**	–
Income tax expense	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Wealth Joy	**1,261,400**	1,297,420
Proportion of the Group's ownership interest in Wealth Joy	**50%**	50%
Carrying amount of the Group's interest in Wealth Joy	**630,700**	648,710

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	THE GROUP	
	2013 **HK$'000**	2012 HK$'000
Listed equity securities in Hong Kong	**639,659**	79,175
Listed equity securities outside Hong Kong	**390,594**	–
Listed debt securities outside Hong Kong	**75,439**	–
Unlisted equity securities in Hong Kong	**246**	24,440
Unlisted equity securities outside Hong Kong	**53,203**	30,096
	1,159,141	133,711
Market value of listed securities	**1,105,692**	79,175

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

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2013 **HK$'000**	2012 HK$'000
Foreign currency derivative contracts	**814**	–
Less: Amounts due within one year shown under current assets	**(771)**	–
Amounts due after one year	**43**	–

The Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Hong Kong. The Group is required to sell or buy Euro against Hong Kong dollars (2012: Euro against Hong Kong dollars) at contracted rates under these derivative contracts. At the end of the reporting period, the unexpired notional amount of these outstanding derivatives contracts amounted to Euro1,998,000 (equivalent to HK$20,558,000) (2012: Euro3,176,000 (equivalent to HK$32,479,000)). The derivative contracts will be fully expired by 2015 (2012: 2013).

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

23. NOTES RECEIVABLE

	THE GROUP	
	2013 **HK$'000**	2012 HK$'000
Unsecured bonds	**175,970**	–
Medium term notes	**19,209**	–
	195,179	–
Less: Amounts due within one year shown under current assets	**(8,875)**	–
Amounts due after one year	**186,304**	–

At the end of the reporting period, the Group held unsecured bonds and medium term notes with principal amounts of HK$175,970,000 and HK$19,209,000, respectively, issued by reputable financial institutions.

The unsecured bonds issued by reputable financial institutions are detailed as follows:

(i) carrying amount of HK$37,177,000 is denominated in US$ with nominal values ranging from US$900,000 to US$2,000,000, bears interest at fixed interest rates ranging from 2.63% to 9.50% per annum and has maturity dates ranging from April 2016 to April 2018; and

(ii) carrying amount of HK$138,793,000 is denominated in RMB with nominal values ranging from RMB2,000,000 to RMB10,000,000, bears interests at either variable interest rate of 3-months Shanghai Interbank Offered Rate less 0.6% or fixed interest rates ranging from 2.075% to 8.50% per annum and has maturity dates ranging from June 2014 to June 2016.

The medium term notes issued by reputable financial institution are denominated in RMB with an aggregate nominal value of RMB15,000,000. The medium term notes bear interest at 3.25% per annum and will mature in June 2015.

24. RESTRICTED CASH, BANK BALANCES AND CASH

THE GROUP

Restricted cash

At 31 December 2012, a sum of US$15 million (equivalent to approximately HK$116,265,000) being purchase deposit was held in escrow pending for completion of the acquisition of a hotel property in New York, the USA. The acquisition was completed on 25 September 2013 and the purchase deposit is transferred to property, plant and equipment.

The remaining amount equivalent to HK$13,048,000 (2012: HK$6,222,000) was placed in designated bank account pursuant to applicable loan facilities requirements.

Bank balances and cash

Bank balances including short-term bank deposits with original maturity of less than three months carry interest at market rates which range from 0.001% to 4% (2012: 0.001% to 4.68%) per annum.

25. INVENTORIES

	THE GROUP	
	2013 HK$'000	**2012 HK$'000**
Completed properties held for sale	**42**	42
Raw materials	**9,674**	12,149
Trading goods	**3,346**	2,951
Provisions and beverages	**47,450**	40,449
Work-in-progress	**45,978**	38,163
	106,490	93,754

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2013 HK$'000	**2012 HK$'000 (restated)**
Trade debtors, net of allowance for doubtful debts	**301,250**	287,632
Deferred rent receivables	**101,931**	125,574
Other receivables	**74,029**	12,399
Deposits and prepayments	**127,033**	125,842
	604,243	551,447

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

26. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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

	2013 HK$'000	2012 HK$'000 (restated)
0-3 months	**226,481**	200,475
3-6 months	**14,740**	21,530
Over 6 months	**60,029**	65,627
	301,250	287,632

Trade debtors as at 31 December 2013 and 2012 which are neither overdue nor impaired are in good quality. Included in the Group's trade debtors balance are debtors with a carrying amount of HK$74,769,000 (2012: HK$87,157,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade debtors balance past due but not impaired

	2013 HK$'000	2012 HK$'000 (restated)
3-6 months	**14,740**	21,530
Over 6 months	**60,029**	65,627
Total	**74,769**	87,157

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000 (restated)
At 1 January	**21,007**	67,563
Amounts written off	**–**	(46,151)
Increase in allowance recognised in profit or loss	**991**	–
Amounts recovered during the year	**–**	(405)
At 31 December	**21,998**	21,007

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

27. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Equity linked notes designated at FVTPL	**1,095,944**	–
Currency linked notes designated at FVTPL	**755,280**	–
	1,851,224	–

During the year, the Group entered into equity linked notes with banks and are detailed as follows:

(i) US$ equity linked notes with nominal values ranging from US$500,000 to US$5,000,000 have maturity periods ranging from three months to twelve months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(ii) HK$ equity linked notes with nominal values ranging from HK$3,000,000 to HK$30,000,000 have maturity periods ranging from three months to seven months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

The Group also entered into currency linked notes with banks and are detailed as follows:

(i) Semi-annual coupon linked to US$/Offshore RMB notes with nominal values of RMB118,750,000 where the exchange rate is the spot rate of exchange between offshore RMB and US$ and the Group is entitled to receive fixed coupon subject to certain terms and conditions as stipulated in the agreement; and

(ii) Structured deposits linked to US$/RMB with nominal values of RMB106,000,000 and subject to the strike price of 6.161.

28. SHORT TERM LOAN RECEIVABLE

Short term loan receivable from a third party of US$8,650,000 (equivalent to approximately HK$67,072,000) is unsecured, bears interest at 20% per annum and repayable on 11 March 2014.

29. AMOUNT DUE FROM A SUBSIDIARY

THE COMPANY

As at 31 December 2013, amount due from a subsidiary of HK$2,247,427,000 (2012: HK$2,873,930,000) is unsecured, interest-free and repayable on demand. At 31 December 2013, the Company would not demand repayment from the subsidiary for amount of HK$18,735,825,000 (2012: HK$19,000,000,000) within the next twelve months from the end of the reporting period and therefore, classified such balance as a non-current asset.

30. CREDITORS, DEPOSITS AND ACCRUALS

	THE GROUP	
	2013 HK$'000	2012 HK$'000 (restated)
Trade creditors	**191,674**	204,366
Deposits received	**708,124**	638,435
Construction fee payable and retention money payable	**11,844**	17,020
Accruals, interest payable and other payables	**2,022,265**	1,619,863
	2,933,907	2,479,684

Included in accruals and other payables is accrual of stamp duty of HK$963,475,000 (2012 (restated): HK$963,475,000) which is based on the current applicable stamp duty rate of 4.25% (2012: 4.25%) and the stated consideration of HK$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing and an accrual for stamp duty of HK$91,600,000 (2012: nil) in regards to the acquisition of certain properties in Citibank Plaza during the year.

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

	2013 HK$'000	2012 HK$'000 (restated)
0-3 months	**179,568**	192,222
3-6 months	**1,295**	1,646
Over 6 months	**10,811**	10,498
	191,674	204,366

31. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Cash flow hedge – cross currency swaps	**41,833**	–

The Group entered cross currency swaps with The Hongkong and Shanghai Banking Corporation Limited to minimise the exposure to fluctuations in foreign currency and interest rate of the medium term note, which is denominated in US$, in respect of the principal and fixed rate interest payments.

The cross currency swaps and the corresponding medium term note have similar terms and the Directors considered that the cross currency swaps were highly effective hedging instruments.

Major terms of the cross currency swaps are set out below:

Notional amount	Maturity	Exchange rate	Interest rate	Interest period	Total hedged item
US$200,000,000	17 January 2023	HK$7.7598: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$100,000,000	17 January 2023	HK$7.76: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$50,000,000	17 January 2023	HK$7.7613: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$50,000,000	17 January 2023	HK$7.7541: US$1	3.75%	Quarterly	Medium term note principal and coupon payments

The fair value of the above derivatives is based on the valuation provided by the counterparty financial institution.

During the year, the loss on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK$41,833,000 has been recognised in other comprehensive income of which the fair value adjustment of the hedging instruments amounting to HK$3,081,000 were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon payment.

32. BORROWINGS

	THE GROUP	
	2013 HK$'000	2012 HK$'000 (restated)
Bank loans and revolving loans (secured)	**20,912,276**	12,751,958
Other non-current loans (secured)	**2,570,107**	996,557
	23,482,383	13,748,515
Loan front-end fee	**(158,318)**	(47,215)
	23,324,065	13,701,300

The maturity of the above loans based on scheduled repayment terms is as follows:

	2013 HK$'000	2012 HK$'000 (restated)
Within one year	**7,042,379**	3,329,626
More than one year but not exceeding two years	**2,982,800**	7,014,119
More than two years but not exceeding five years	**13,298,886**	3,357,555
	23,324,065	13,701,300
Less: Amounts due within one year shown under current liabilities	**(7,042,379)**	(3,329,626)
Amounts due after one year	**16,281,686**	10,371,674

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

	2013 HK$'000	2012 HK$'000 (restated)
Within one year	**18,855**	108,032
More than one year but not exceeding two years	**706,650**	6,794
More than two years but not exceeding three years	**372,540**	7,077
More than three years but not exceeding four years	**–**	372,396
	1,098,045	494,299

32. BORROWINGS (continued)

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

	2013 HK$'000	2012 HK$'000 (restated)
Within one year	**7,023,524**	3,221,594
More than one year but not exceeding two years	**2,276,150**	7,007,325
More than two years but not exceeding three years	**8,933,764**	2,283,519
More than three years but not exceeding four years	**1,055,311**	99,287
More than four years but not exceeding five years	**2,937,271**	595,276
	22,226,020	13,207,001

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

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**3.84% to 6.09%**	3.84% to 6.09%
Variable-rate borrowings	**0.88% to 4.91%**	0.78% to 5.92%

33. CONVERTIBLE BONDS

On 3 June 2008, the Group, through a subsidiary Fair Vantage Limited ("Bonds Issuer") issued HK$4,680,000,000 1% guaranteed convertible bonds due June 2013 ("Bonds").

The principal terms of the Bonds include the following:

Conversion

The holders of the Bonds are entitled to convert their bonds into units of Champion REIT at any time on or after 3 June 2009 up to the date which is seven days prior to 3 June 2013 at a conversion price adjusted to HK$3.34 per unit which came into effect since 21 May 2013 as a result of Excess Distribution (as defined in terms and conditions of the Bonds) adjustment.

If the holder has elected to convert the Bonds, the Bonds Issuer will be required to deliver, in respect of each bond converted; (a) an amount of cash, as elected by the Bonds Issuer; and/or (b) units, as calculated in accordance to the terms and conditions of the Bonds.

33. CONVERTIBLE BONDS (continued)

Redemption

Unless previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at 123.94% of their outstanding principal amount on 3 June 2013 (the "Bonds Maturity Date").

The Bonds Issuer may redeem the convertible bonds, in whole and not in part, on or at any time after 3 June 2011 but not less than seven business days prior to the Bonds Maturity Date, if the closing price of the units of Champion REIT on each of the 20 consecutive trading days immediately prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount (as defined below) for each Bonds divided by the then effective Conversion Ratio (as defined below).

The "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 5.25% per annum, calculated on a semi-annual basis, from 3 June 2008, the closing date of the convertible bond issue, to the Bonds Maturity Date.

The "Conversion Ratio" is the principal amount of the convertible bonds divided by the then effective conversion price.

In August 2012, the Bonds Issuer invited the bondholders of the Bonds to convert their bonds and to receive an incentive payment of HK$2,215 for each HK$10,000 in principal amount of the Bonds so converted. Pursuant to the invitation made, the bondholders converted HK$2,340,400,000 aggregate principal amount of the Bonds ("Converted Bonds"). The applications received were inclusive of an aggregate principal amount held by a subsidiary of the Company, Bright Form Investments Limited ("Bright Form"), of HK$2,340,000,000. Accordingly, pursuant to the exchange offer an aggregate principal amount of HK$518,399,000 was paid as incentive payment and 680,438,837 units of Champion REIT were issued. The conversion of the convertible bonds by Bright Form and other bondholders has resulted in an increase in the Group's ownership interest in Champion REIT to 57.7%, which has been accounted for as an equity transaction during the year ended 31 December 2012.

As at 31 December 2012, the principal amount of Bonds outstanding was HK$2,264,590,000.

During the year, an aggregate principal amount of HK$322,940,000 of the Bonds was converted. The Bonds Issuer settled the conversions by (a) cash payment of HK$322,940,000 and (b) the issuance of 12,395,029 units of Champion REIT and resulted in a gain of HK$29,302,000 which was recognised in the profit or loss. Upon the conversion during the year, the Group's ownership interest in Champion REIT decreased from 57.97% to 57.85%. On the Bonds Maturity Date, the Bonds Issuer redeemed the then outstanding principal of HK$1,941,650,000 at the redemption price of 123.94% by an aggregate amount of HK$2,406,481,000. After the redemption, certain investment properties together with the assignment of insurance proceeds which have been granted and mortgaged in favour of the bond holders were released and discharged.

33. CONVERTIBLE BONDS (continued)

Redemption (continued)

The Bonds contain liability component stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component is 6.375% per annum.

As at 31 December 2012, the fair values of the derivative components (including conversion options and early redemption options) are based on valuation provided to the Group by an independent valuer. The fair values were determined based on the Binomial model using the assumptions as follows:

	2012
Unit price	HK$3.71
Risk-free rate of interest	0.05%
Dividend yield	5.53%
Historical volatility (with similar time to maturity)	42%

The movement of the liability and derivative components of the bonds for the year is set out as below:

	THE GROUP	
	2013 HK$'000	**2012 HK$'000 (restated)**
Liability component		
At the beginning of the year	**2,742,781**	2,592,292
Interest charged	**71,136**	164,504
Interest paid	**(7,950)**	(20,827)
Conversion during the year	**(399,486)**	6,812
Redemption during the year	**(2,406,481)**	–
At the end of the year	**–**	2,742,781
Derivative components		
At the beginning of the year	**308,563**	206,041
Change in fair value	**(308,236)**	149,966
Conversion during the year	**(327)**	(47,444)
At the end of the year	**–**	308,563
Total convertible bonds	**–**	3,051,344

	2013 HK$'000	**2012 HK$'000**
The maturity of the bonds is as follows:		
Within one year	**–**	3,051,344

34. MEDIUM TERM NOTE

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Medium term note	**3,101,600**	–
Origination fees	**(36,106)**	–
	3,065,494	–

On 6 December 2012, the Group established a US$1 billion guaranteed medium term notes programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the Trustee. During the year, US$400,000,000 was issued. The issued medium term note bears interest at a fixed rate of 3.75% per annum and is repayable in full on 17 January 2023. The foreign currency denominated principal and interest payments are hedged by the use of cross currency swaps.

35. DEFERRED TAXATION

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

	Property, plant and equipment HK$'000	**Tax losses HK$'000**	**Others HK$'000**	**Total HK$'000**
THE GROUP				
At 1 January 2012 (restated)	927,430	(334,249)	33,734	626,915
Exchange differences	8,842	(1,625)	(6)	7,211
Charge (credit) to profit or loss for the year	115,694	38,433	(501)	153,626
At 31 December 2012 (restated)	1,051,966	(297,441)	33,227	787,752
Exchange differences	(9,464)	756	11	(8,697)
Charge (credit) to profit or loss for the year	167,503	25,855	(15,003)	178,355
Effect of change in tax rate	(4,768)	425	–	(4,343)
At 31 December 2013	**1,205,237**	**(270,405)**	**18,235**	**953,067**

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

35. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unutilised tax losses of HK$2,936,544,000 (2012: HK$3,384,319,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,159,229,000 (2012: HK$1,182,515,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,777,315,000 (2012: HK$2,201,804,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$626,434,000 (2012: HK$775,604,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$626,434,000 (2012: HK$775,604,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$1,216,000,000 (2012: HK$967,860,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

36. SHARE CAPITAL

		2013		2012	
		Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
(a)	Authorised:				
	Shares of HK$0.50 each				
	Balance brought forward and carried forward	**800,000**	**400,000**	800,000	400,000
(b)	Issued and fully paid:				
	Shares of HK$0.50 each				
	Balance brought forward	**631,399**	**315,700**	629,067	314,533
	Issued upon exercise of share options under the share option schemes	**2,897**	**1,448**	578	289
	Issued as scrip dividends	**4,980**	**2,490**	2,334	1,168
	Repurchase and cancellation of shares	**–**	**–**	(580)	(290)
	Balance carried forward	**639,276**	**319,638**	631,399	315,700

During the year ended 31 December 2013, 4,979,854 (2012: 2,334,338) shares of HK$0.50 each in the Company were issued at HK$32.04 (2012: HK$20.04) per share as scrip dividends.

36. SHARE CAPITAL (continued)

During the year ended 31 December 2012, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid before expenses HK$'000
January 2012	277,000	16.68	15.54	4,381

277,000 shares repurchased in January 2012, were cancelled and the issued share capital of the Company was reduced by the par value of such shares. The premium paid on repurchase of such shares was charged against the share premium accounts.

37. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2012	3,928,316	3,054	424,627	42,956	18,908,746	23,307,699
Shares issued at premium	52,662	–	–	(1,860)	–	50,802
Share issue expenses	(80)	–	–	–	–	(80)
Repurchase of shares	(8,692)	–	–	–	–	(8,692)
Recognition of equity-settled share based payments	–	–	–	16,610	–	16,610
Lapse of share options	–	–	–	(11,911)	11,911	–
Profit and total comprehensive income for the year	–	–	–	–	160,745	160,745
Dividend paid	–	–	–	–	(396,814)	(396,814)
At 31 December 2012	3,972,206	3,054	424,627	45,795	18,684,588	23,130,270
Shares issued at premium	242,469	–	–	(21,130)	–	221,339
Share issue expenses	(121)	–	–	–	–	(121)
Recognition of equity-settled share based payments	–	–	–	15,042	–	15,042
Profit and total comprehensive income for the year	–	–	–	–	192,579	192,579
Dividend paid	–	–	–	–	(1,058,993)	(1,058,993)
At 31 December 2013	**4,214,554**	**3,054**	**424,627**	**39,707**	**17,818,174**	**22,500,116**

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

38. SHARE OPTIONS

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

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

Further details of the 1999 Share Option Scheme

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

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

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

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

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

38. SHARE OPTIONS (continued)

Further details of the 1999 Share Option Scheme (continued)

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

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

Further details of the 2009 Share Option Scheme

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

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

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

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

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

38. SHARE OPTIONS (continued)

Further details of the 2009 Share Option Scheme (continued)

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

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

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

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

1999 Share Option Scheme

	Number of shares			
In 2013 Year of grant of options	**Outstanding options at 1 January 2013**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2013**
2009	**501,000**	**(283,000)**	**–**	**218,000**
Exercisable at end of the year				**218,000**
Weighted average exercise price	**HK$9.34**	**HK$9.34**	**–**	**HK$9.34**

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

38. SHARE OPTIONS (continued)

2009 Share Option Scheme

In 2013 Year of grant of options	Number of shares Outstanding options at 1 January 2013	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2013
2010	**2,446,000**	**–**	**(1,581,500)**	**–**	**864,500**
2011	**2,728,000**	**–**	**(1,032,000)**	**(75,000)**	**1,621,000**
2012	**3,075,000**	**–**	**–**	**(154,000)**	**2,921,000**
2013	**–**	**3,353,000**	**–**	**(187,000)**	**3,166,000**
	8,249,000	**3,353,000**	**(2,613,500)**	**(416,000)**	**8,572,500**
Exercisable at end of the year					**2,485,500**
Weighted average exercise price	**HK$24.07**	**HK$31.45**	**HK$24.13**	**HK$27.45**	**HK$26.77**

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

38. SHARE OPTIONS (continued)

2009 Share Option Scheme (continued)

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

1999 Share Option Scheme

	Number of shares				
In 2013 Year of grant of options	**Outstanding options at 1 January 2013**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2013**
2009	**250,000**	**–**	**(125,000)**	**–**	**125,000**

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

2009 Share Option Scheme

	Number of shares				
In 2013 Year of grant of options	**Outstanding options at 1 January 2013**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2013**
2010-2013	**3,645,000**	**1,230,000**	**(1,342,000)**	**–**	**3,533,000**

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

The weighted average price of the shares on the date the options were exercised was HK$32.00 and HK$32.83 (2012: HK$22.35 and HK$23.80) under the 1999 Share Option Scheme and 2009 Share Option Scheme, respectively, for the year ended 31 December 2013.

38. SHARE OPTIONS (continued)

2009 Share Option Scheme (continued)

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

Year	Date of grant	Exercisable period	Subscription price per share HK$
1999 Share Option Scheme			
2007	4.1.2007	5.1.2009 - 4.1.2012	22.35
2009	8.1.2009	9.1.2011 - 8.1.2014	9.34
2009 Share Option Scheme			
2010	4.3.2010	5.3.2012 - 4.3.2015	22.80
2011	7.3.2011	8.3.2013 - 7.3.2016	26.18
2012	8.3.2012	9.3.2014 - 8.3.2017	23.20
2013	6.6.2013	7.6.2015 - 6.6.2018	31.45

Notes:

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

(ii) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 3 January 2007, 7 January 2009, 3 March 2010, 4 March 2011, 7 March 2012 and 5 June 2013 being the business date immediately before the date on which share options were granted, were HK$21.90, HK$9.45, HK$23.00, HK$26.10, HK$21.90 and HK$31.40, respectively.

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

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

Date of grant:	6.6.2013	8.3.2012	7.3.2011	4.3.2010	8.1.2009	4.1.2007
Exercise price:	HK$31.45	HK$23.20	HK$26.18	HK$22.80	HK$9.34	HK$22.35
Expected volatility (note a):	30.27%	33.32%	31.90%	48.98%	52.48%	41.76%
Expected dividend yield (note b):	2.35%	2.79%	2.28%	2.46%	5.75%	1.40%
Expected life from grant date:	5 years	5 years	5 years	5 years	5 years	5 years
Risk free interest rate (note c):	0.72%	0.50%	1.88%	1.65%	1.31%	3.82%
Fair value per option:	HK$6.98	HK$5.44	HK$6.57	HK$8.51	HK$3.16	HK$7.79

Notes:

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

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

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

The Group recognised the total expense of HK$15,042,000 for the year ended 31 December 2013 (2012: HK$16,610,000) in relation to share options granted by the Company.

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

39. RETIREMENT BENEFIT SCHEMES

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

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

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

Forfeited contributions to retirement schemes for the year ended 31 December 2013 amounting to HK$650,000 (2012: HK$361,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2013 charged to the consolidated income statement amounted to HK$59,485,000 (2012: HK$54,827,000). As at 31 December 2013, contributions of HK$1,072,000 (2012: HK$2,369,000) due in respect of the year had not been paid over to the schemes.

40. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2013, 4,979,854 (2012: 2,334,338) shares of HK$0.50 each in the Company were issued at HK$32.04 (2012: HK$20.04) per share as scrip dividends.

(ii) During the year ended 31 December 2013, 12,395,029 units of Champion REIT were issued upon the conversion of the Bonds.

During the year ended 31 December 2012, 116,279 units of Champion REIT were issued to an outside bondholder upon the conversion of the Bonds pursuant to an exchange offer as described in note 33.

41. PLEDGE OF ASSETS

At 31 December 2013, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$49,912,799,000 (2012: HK$58,176,490,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$7,474,527,000 (2012: HK$6,164,721,000); and

(c) the Group's leasehold land and owner occupied buildings in Hong Kong with a total carrying value of HK$122,442,000 (2012: HK$127,875,000).

42. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2013, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$103,599,000 (2012 (restated): HK$527,447,000) of which HK$77,436,000 (2012 (restated): HK$454,405,000) was contracted for.

At 31 December 2013, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25,800,000 (equivalent to HK$33,050,000) (2012: RMB26,500,000 (equivalent to HK$32,500,000)).

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

43. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,272,258,000 (2012: HK$2,136,399,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Contingent rental income earned during the year ended 31 December 2013 is HK$100,382,000 (2012 (restated): HK$96,406,000).

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

	2013 HK$'000	**2012 HK$'000 (restated)**
Within one year	**2,039,101**	1,881,462
In the second to fifth years inclusive	**3,120,966**	2,805,855
After five years	**468,069**	95,673
	5,628,136	4,782,990

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

43. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee

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

	2013 HK$'000	2012 HK$'000
Within one year	**7,781**	12,567
In the second to fifth years inclusive	**7,731**	4,314
	15,512	16,881

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

44. CONNECTED AND RELATED PARTY DISCLOSURES

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

Related companies set out below are companies in which Mr. Lo Hong Sui, Vincent or Mr. Lo Kai Shui, both being Directors of the Company who are also close family members of the Chairman, has controlling interests. Mr. Lo Hong Sui, Vincent, Mr. Lo Kai Shui, the Chairman and other family members are among the beneficiaries under a family trust holding 33.11% interest, which is a substantial shareholder of in the Company. Additionally, related companies include a company in which a director of a subsidiary has beneficial interest.

Transactions with related companies (other than Wealth Joy) are also connected transactions as defined in the chapter 14A of the Listing Rules.

	2013 HK$'000	2012 HK$'000 (restated)
Transactions with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee received	**1,182**	900
Haining Hai Xing Hotel Co. Ltd.		
Supply procurement and consultancy services income	**1,456**	–

44. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2013 HK$'000	2012 HK$'000 (restated)
Transactions with related companies for the year ended 31 December		
Sun Fook Kong Holdings Ltd and its subsidiaries		
Rental income	**6,223**	4,393
Building management fee income	**968**	887
Trading income	**307**	703
Installation services income	**3,004**	–
Carpark income	**131**	96
Consultancy service income	**600**	600
Cleaning service charge	**12,805**	3,174
SOCAM Development Limited and its subsidiaries		
Trading income	**3,029**	236
Shui On Land Limited and its subsidiaries		
Licence fee and hotel management fee income	**975**	1,032
Reimbursable centralised hotel expenses	**1,023**	1,018
Construction services income	**5,194**	–
Shui Sing Holding Limited and its subsidiaries		
Rental charges	**600**	600
Management fee expense	**564**	509
Management fee income	**240**	240
Transactions with associates for the year ended 31 December		
MGIL and its subsidiaries		
Licence fee and hotel management fee income	**10,502**	5,634
Reimbursable centralised hotel expenses	**6,861**	7,164
Supply procurement and consultancy services income	**1,920**	387
Transactions with a joint venture for the year ended 31 December		
Wealth Joy and its subsidiaries		
Project advisory income	**20,428**	20,001
Investment management income	**11,956**	11,956
Supply procurement and consultancy services income	**3,411**	1,433

44. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	THE GROUP	
	2013 HK$'000	2012 HK$'000 (restated)
Balances with associates, a joint venture and related companies as at 31 December		
Amounts due from associates (see note 19(b))		
Crucial Investments Limited	**23**	23
City Apex Limited	**12,054**	12,054
MGIL and its subsidiaries[1]	**144,296**	268,075
	156,373	280,152
Amounts due from associates[2] (included in trade debtors under debtors, deposits and prepayments)		
MGIL and its subsidiaries	**5,989**	8,556
Amount due from a joint venture[2] (included in trade debtors under debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	**48,888**	52,025
Amounts due from related companies[2] (included in debtors, deposits and prepayments)		
Sun Fook Kong Holdings Ltd and its subsidiaries	**41**	1,161
SOCAM Development Limited and its subsidiaries	**678**	39
Shui On Land Limited and its subsidiaries	**596**	324
	1,315	1,524
Amounts due to related companies[2] (included in creditors, deposits and accruals)		
Sun Fook Kong Holdings Ltd and its subsidiaries	**1,139**	824
Haining Hai Xing Hotel Co. Ltd.	**58**	–
	1,197	824
Amount due to a joint venture[2] (included in creditors, deposits and accruals)		
Wealth Joy and its subsidiaries	**96**	–

Notes:

1 The Group injected to MGIL a total amount of HK$331,613,000 as at 31 December 2013 (2012: HK$455,392,000).

2 The amounts are unsecured, interest-free and repayable on demand.

The remuneration of the Directors and other members of key management during the year were disclosed in note 13. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2013 and 2012 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company	
			2013	2012
– incorporated and operating in the British Virgin Islands:				
Jolly Trend Limited	2 shares of US$1 each	Investment holding	**100%**	100%

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2013	2012
– incorporated and operating in Hong Kong:				
Bon Project Limited	2 shares of HK$1 each	Property investment	**100%**	100%
Champion Global Services Limited	1 share of HK$1	Provision of procurement services	**93%**	92.5%
Chance Mark Limited	2 shares of HK$1 each	Property investment	**100%**	100%
Clever Gain Investment Limited	2 shares of HK$1 each	Restaurant operation	**100%**	100%
Eagle Asset Management (CP) Limited	16,000,000 shares of HK$1 each	Manager of real estate investment trust	**100%**	100%
Eagle Property Management (CP) Limited	1 share of HK$1	Property management	**100%**	100%
Ease Billion Development Limited	2 shares of HK$1 each	Property investment	**100%**	100%
Eaton House Management Limited	1,000 shares of HK$10 each	Management of furnished apartments	**100%**	100%
Fortuna Wealth Company Limited	2 shares of HK$1 each	Property investment	**100%**	100%
Langham Hospitality Group Limited	1 share of HK$1	Investment holding	**100%**	100%
GE (LHIL) Lessee Limited*	1 share of HK$1	Hotel operation	**100%**	–
Great Eagle (China) Investment Limited	1 share of HK$1	Investment holding	**100%**	100%
Great Eagle Project Advisory Company Limited	1 share of HK$1	Provision of project management services	**100%**	100%
Great Eagle Trading Holdings Limited	1,000 shares of HK$1 each	Investment holding	**93%**	92.5%
Keysen Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	**100%**	100%

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company 2013	2012
– incorporated and operating in Hong Kong: (continued)				
Langham Hotels International Limited	5,000 shares of HK$1 each	Hotel management	**100%**	100%
Langham Hotels (China) Limited	1 share of HK$1	Hotel management	**100%**	100%
LHIL Manager Limited*	1 share of HK$1	Trustee-Manager of Langham Hospitality Investments	**100%**	–
Longworth Management Limited	10,000 shares of HK$1 each	Property management	**100%**	100%
Mega Bloom (China) Limited	1 share of HK$1	Investment holding	**100%**	100%
Moon Yik Company, Limited	10,000,000 shares of HK$1 each	Property investment	**100%**	100%
Selex Properties Management Company, Limited	2 shares of HK$1 each	Property management	**100%**	100%
Sharp Bloom Limited	1 share of HK$1	Treasury management	**100%**	100%
Strong Dynamic Limited	2 shares of HK$1 each	Fitness centre operation	**100%**	100%
The Great Eagle Company, Limited	2,000,000 shares of HK$0.5 each	Investment holding	**100%**	100%
The Great Eagle Development and Project Management Limited	2 shares of HK$10 each	Project management	**100%**	100%
The Great Eagle Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	**100%**	100%
The Great Eagle Estate Agents Limited	2 shares of HK$10 each	Real estate agency	**100%**	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK$100 each	Financing	**100%**	100%
The Great Eagle Properties Management Company, Limited	1,800,000 shares of HK$1 each	Property management	**100%**	100%
Toptech Co. Limited	2,000,000 shares of HK$1 each	Trading of building materials	**93%**	92.5%
Venus Glory Company Limited	2 shares of HK$1 each	Property investment	**100%**	100%
Worth Bright Company Limited	2 shares of HK$1 each	Property investment	**100%**	100%
Zamanta Investments Limited	100 shares of HK$10 each	Property investment	**100%**	100%
88 Tiandi Limited	1 share of HK$1	Hospitality management services	**60%**	60%

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2013	2012
– incorporated in the British Virgin Islands:				
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	**100%**	100%
Ecobest Ventures Limited*	1 share of US$1	Treasury management	**100%**	–
Fine Noble Limited	1 share of US$1	Treasury management	**100%**	100%
G.E. Hotel (Xintiandi) Limited	1 share of US$1	Investment holding	**100%**	100%
Great Eagle Nichemusic Limited	1 share of US$1	Treasury management	**100%**	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	**100%**	100%
LHIL Assets Holdings Limited*	1 share of US$1	Investment holding of Langham share stapled units	**100%**	–
Main Treasure Holdings Limited	1 share of US$1	Provision of investment management services	**100%**	100%
Nelsprite Limited	1 share of US$1	Treasury management	**100%**	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	**100%**	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	**100%**	100%
– incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT:				
Benington Limited	100 shares of HK$10 each	Property investment	**60.35%**	57.86%
CP (A1) Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
CP (B1) Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
CP (MC) Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
CP (PH) Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
CP (SH) Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
CP (WC) Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
CP Finance Limited	1 share of HK$1	Financing	**60.35%**	57.86%
CP (Portion A) Limited	2 shares of HK$1 each	Property investment	**60.35%**	57.86%
CP (Portion B) Limited	2 shares of HK$1 each	Property investment	**60.35%**	57.86%
CP Glory Limited	1 share of HK$1	Financing	**60.35%**	57.86%
CP Wealth Limited	1 share of HK$1	Financing	**60.35%**	57.86%

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2013	2012
– incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT: (continued)				
Elegant Wealth Limited	1 share of HK$1	Property investment	**60.35%**	57.86%
Maple Court Limited	2 shares of HK$1 each	Property investment	**60.35%**	57.86%
Panhy Limited	2 shares of HK$1 each	Property investment	**60.35%**	57.86%
Renaissance City Development Company Limited	2 shares of HK$10 each	Property investment	**60.35%**	57.86%
Shine Hill Development Limited	1,000,000 shares of HK$1 each	Property investment	**60.35%**	57.86%
Trump Treasure Limited	1 share of HK$1	Financing	**60.35%**	57.86%
Well Charm Development Limited	2 shares of HK$1 each	Property investment	**60.35%**	57.86%
– incorporated and operating in Hong Kong and indirectly owned and controlled by Langham:				
Grow On Development Limited	5,000 shares of HK$1 each	Property investment	**57.72%**	100%
Harvest Star International Limited	2 shares of HK$1 each	Property investment	**57.72%**	100%
Langham Place Hotel (HK) Limited	2 shares of HK$1 each	Property investment	**57.72%**	100%
LHIL Finance Limited*	1 share of HK$1	Financing	**57.72%**	–
– incorporated in the British Virgin Islands and operating in United Kingdom:				
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	**100%**	100%
– incorporated and operating in Canada:				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	**100%**	100%
– incorporated in the British Virgin Islands and operating in Australia:				
Katesbridge Group Limited	1 share of US$1	Investment holding	**100%**	100%
Ruby Dynasty Limited	1 share of US$1	Investment holding	**100%**	100%
– incorporated and operating in Australia:				
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	**100%**	100%
The Great Eagle Hotels (NSW) Trust	100 units of A$1 each	Hotel ownership	**100%**	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 shares of A$1 each	Hotel ownership	**100%**	100%
NSW Hotel Management Pty Ltd	2 shares of A$1 each	Hotel operation	**100%**	100%

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2013	2012
– incorporated in the British Virgin Islands and operating in New Zealand:				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Property investment	**100%**	100%
– incorporated and operating in New Zealand:				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel ownership and operation	**100%**	100%
– incorporated and operating in USA:				
Pacific Chicago LLC	US$8,000,000	Hotel ownership and operation	**100%**	100%
Pacific EIH Sacramento Corporation	100 shares of US$1 each	Property investment	**100%**	100%
Pacific Fifth Avenue Corporation*	100 shares of US$0.01 each	Hotel ownership	**100%**	–
Pacific Dolphin Corporation	100 shares of no par value	Property investment	**100%**	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	**100%**	100%
Pacific Mission Corporation*	100 shares of US$0.01 each	Property investment	**100%**	–
Pacific 2700 Ygnacio Corporation	100 shares of US$1 each	Property investment	**100%**	100%
Pacific Ygnacio Corporation	100 shares of no par value	Property investment	**100%**	100%
Shorthills NJ. Inc.	100 shares of US$1 each	Property investment	**100%**	100%
– incorporated and operating in Cayman Islands and indirectly owned and controlled by Champion REIT:				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	**60.35%**	57.86%
Ernest Limited	100 shares of US$1 each	Investment holding	**60.35%**	57.86%
Fair Vantage Limited	1 share of US$1	Debt securities issuer	**60.35%**	57.86%

* All these subsidiaries commenced its business during the year ended 31 December 2013.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had any debt securities subsisting at 31 December 2013 and 2012 or at any time during both years.

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2013 and 2012:

Indirect subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders		Profit allocated to non-controlling interests/unitholders		Accumulated non-controlling interests/unitholders	
		2013	2012	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Champion REIT	HK/Property investment	**39.65%**	42.14%	**906,298**	1,838,984	**17,986,810**	18,647,877
Langham	Cayman Islands/ Property investment	**42.28%**	–	**70,360**	–	**(859,919)**	–

The above information is based on Champion REIT and its subsidiaries and Langham and its subsidiaries.

Champion REIT and Langham are listed on the Stock Exchange. Although the Group as at 31 December 2013 has 60.35% and 57.72% ownership in Champion REIT and Langham, respectively, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Champion REIT and Langham, details of which are set out in note 4. As at 31 December 2013, the 39.65% and 42.28% ownership interests in Champion REIT and Langham are owned by numerous unitholders, none individually holding more than one per cent with the exception of one unitholder who held 2.01% in Champion REIT. The Group additionally achieves control over Champion REIT and Langham through the REIT Manager and Trustee-Manager, respectively, who are wholly owned subsidiaries of the Group.

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests/unitholders is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Champion REIT and its subsidiaries

	2013 HK$'000	2012 HK$'000
Current assets	**1,315,423**	1,594,586
Non-current assets	**61,509,000**	58,297,000
Current liabilities	**(9,426,965)**	(7,827,153)
Non-current liabilities, excluding net assets attributable to unitholders	**(8,033,498)**	(7,812,233)
Net assets attributable to non-controlling unitholders of Champion REIT	**17,986,810**	18,647,877
Revenue	**2,179,268**	2,059,014
Expenses	**(1,004,609)**	(1,211,623)
Profit for the year, before distribution to unitholders	**2,198,654**	4,159,951
Distribution to unitholders	**(1,201,226)**	(1,186,217)
Profit for the year, after distribution to unitholders (note a)	**997,428**	2,973,734
Other comprehensive expense for the year (note b)	**(44,914)**	–
Total comprehensive income for the year (note c)	**952,514**	2,973,734
Attributable to non-controlling unitholders of Champion REIT:		
Profit for the year, before distribution to unitholders	**906,298**	1,838,984
Other comprehensive income for the year	**(17,808)**	–
Total comprehensive income for the year	**888,490**	1,838,984
Distribution to non-controlling unitholders of Champion REIT	**488,831**	534,573
Net cash inflow from operating activities	**1,207,998**	1,292,974
Net cash (outflow) inflow from investing activities	**(2,298,056)**	3,166
Net cash inflow (outflow) from financing activities	**759,413**	(1,191,810)
Net cash (outflow) inflow	**(330,645)**	104,330

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

	2013 HK$'000	2012 HK$'000
Note a:		
Profit for the year, after distributions to unitholders		
attributable to owners of the Company	**579,961**	1,669,323
attributable to non-controlling unitholders of Champion REIT	**417,467**	1,304,411
	997,428	2,973,734
Note b:		
Other comprehensive expense for the year		
attributable to owners of the Company	**(27,106)**	–
attributable to non-controlling unitholders of Champion REIT	**(17,808)**	–
	(44,914)	–
Note c:		
Total other comprehensive expense for the year		
attributable to owners of the Company	**552,855**	1,669,323
attributable to non-controlling unitholders of Champion REIT	**399,659**	1,304,411
	952,514	2,973,734

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2013 HK$'000	2012 HK$'000
Current assets	**886,740**	–
Non-current assets	**16,696,009**	–
Current liabilities	**(69,485)**	–
Non-current liabilities	**(6,843,018)**	–
Equity attributable to non-controlling interests before intragroup eliminations	**4,511,380**	–
Equity attributable to non-controlling interests after intragroup eliminations (note)	**(859,919)**	–
Revenue	**471,764**	–
Expenses	**(196,966)**	–
Profit for the year	**445,275**	–
Other comprehensive income for the year	**12,574,602**	–
Total comprehensive income for the year	**13,019,877**	–
Attributable to non-controlling interests of Langham:		
Profit for the year (note)	**70,360**	–
Other comprehensive income for the year (note)	**–**	–
Total comprehensive income for the year (note)	**70,360**	–
Net cash inflow from operating activities	**301,499**	–
Net cash outflow from investing activities	**(1,253)**	–
Net cash inflow from financing activities	**415,679**	–
Net cash inflow	**715,925**	–

Note: The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation and depreciation on Langham's properties and other service fees.

46. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2013 and 2012 are set out below:

Indirect associates	Issued and paid up equity share capital/units	Principal activities	Percentage of issued equity share capital held by the Group	
			2013	2012
– incorporated in the British Virgin Islands:				
City Apex Limited	3,500 shares of US$1 each	Investment holding	**23%**	23%
Magic Garden Investments Limited	3 shares of US$1 each	Investment holding of subsidiaries which are engaged in hotel development and operation	**33.33%**	33.33%
– incorporated in the Bermuda and listed on the Stock Exchange:				
Cinderella Media Group Limited (note)	332,410,000 shares of HK$0.2 each	Investment holding of subsidiaries which are engaged in printing and publishing	**18.82%**	19.07%

Note: The Group is able to exercise significant influence over Cinderella Media Group Limited through its shareholding in City Apex Limited which holds over 50% equity interests in Cinderella Media Group Limited.

47. PARTICULAR OF A JOINT VENTURE

Details of the Group's joint venture at 31 December 2013 and 2012 are set out below:

Indirect joint venture	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Group	
			2013	2012
– incorporated in the British Virgin Islands:				
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are engaged in property development	50%	50%

APPENDIX I LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR LONG-TERM INVESTMENT

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Eaton House 3-5 Wanchai Gap Road, Wanchai, Hong Kong	Furnished apartments	35,000	100%
Eaton House 100 Blue Pool Road, Happy Valley, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	6,000	100%
Eaton House 4H Village Road, Happy Valley, Hong Kong	Furnished apartments	23,000	100%
Eaton, Hong Kong 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	339,000	57.72%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	375,000	57.72%
Langham Place Hotel, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	580,000	57.72%
The Langham, Xintiandi, Shanghai 99 Madang Road, Xintiandi, Shanghai 200021, PRC	Hotel/Commercial	579,000	33.33%
Citibank Plaza 3 Garden Road, Central, Hong Kong	Commercial/Office	1,559,000	60.35%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	60.35%

PROPERTIES HELD FOR LONG-TERM INVESTMENT (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND			
The Langham, London 1B & 1C Portland Place, Regent Street, London, W1B 1JA, United Kingdom	Hotel/Commercial	363,000	100%
Eaton Chelsea, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
The Langham, Auckland 83 Symonds Street, Auckland 1140, New Zealand	Hotel/Commercial	309,000	100%
500 Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	110,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, CA 94598, USA	Office	110,000	100%
The Langham, Boston 250 Franklin Street, Boston, MA 02110, USA	Hotel/Commercial	281,000	100%
353 Sacramento Street 353 Sacramento Street, San Francisco, CA 94111, USA	Commercial/Office	307,000	100%

PROPERTIES HELD FOR LONG-TERM INVESTMENT (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND (continued)			
The Langham Huntington, Pasadena, Los Angeles 1401 South Oak Knoll Avenue, Pasadena, California 91106, USA	Hotel/Commercial	489,000	100%
The Langham, Sydney 89-113 Kent Street, Sydney, NSW 2000, Australia	Hotel	129,000	100%
The Langham, Chicago 330 North Wabash, Chicago, IL 60611, USA	Hotel	342,000	100%
Langham Place Fifth Avenue Hotel 400 Fifth Avenue, New York 10018, USA	Hotel	297,000	100%
123 Mission 123 Mission Street, San Francisco, CA 94105, USA	Commercial/Office	418,000	100%

PROPERTY UNDER DEVELOPMENT

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASE			
Lot C04, Donggang area, Renmin Road East, Zhongshan District, Dalian, PRC*	Hotel/Apartments	3,079,000	50%

* As at the date of this annual report, the superstructure works were in progress. The project is being developed in two phases which are targeted for completion from 2014/15 onward.

APPENDIX II FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2009 HK$'000	2010 HK$'000 (restated)	2011 HK$'000 (restated)	2012 HK$'000 (restated)	**2013** **HK$'000**
RESULTS					
Revenue	3,958,366	5,481,195	6,391,956	6,746,623	**7,301,014**
Profit before tax	1,040,755	11,225,541	7,717,526	5,834,630	**3,803,975**
Income taxes	192,210	(242,447)	(353,569)	(442,980)	**(426,312)**
Profit for the year	1,232,965	10,983,094	7,363,957	5,391,650	**3,377,663**
Attributable to:					
Owners of the Company	1,232,965	8,886,117	4,227,203	3,551,830	**2,399,472**
Non-controlling unitholders of Champion REIT	–	2,096,977	3,136,754	1,838,984	**906,298**
Non-controlling interests	–	–	–	836	**71,893**
	1,232,965	10,983,094	7,363,957	5,391,650	**3,377,663**
Earnings per share					
Basic	HK$2.00	HK$7.51	HK$6.70	HK$5.63	**HK$3.76**
Diluted	HK$2.00	HK$7.48	HK$6.57	HK$5.58	**HK$3.32**
ASSETS AND LIABILITIES					
Total assets	28,166,300	70,160,295	75,611,338	81,915,541	**97,772,028**
Total liabilities	(5,463,566)	(20,188,098)	(18,905,424)	(20,493,801)	**(30,684,954)**
	22,702,734	49,972,197	56,705,914	61,421,740	**67,087,074**
Equity attributable to owners of the Company	22,702,734	33,875,173	37,983,100	42,771,004	**49,956,025**
Non-controlling unitholders of Champion REIT	–	16,097,024	18,722,814	18,647,877	**17,986,810**
Non-controlling interests	–	–	–	2,859	**(855,761)**
	22,702,734	49,972,197	56,705,914	61,421,740	**67,087,074**

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expression shall have the followings meanings:

Term	Definition
"1999 Share Option Scheme"	the former Executive Share Option Scheme of the Company adopted by an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Champion REIT"	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of SFO, in which the Group had an interest of approximately 60.35% as at 31 December 2013
"Cinderella Media"	Cinderella Media Group Limited (Stock Code: 550), an associate of the Company, the shares of which are listed on the Stock Exchange, in which the Group had an interest of approximately 18.82% as at 31 December 2013
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees of the Company
"Company"	Great Eagle Holdings Limited
"CSR"	Corporate Social Responsibility
"EBITDA"	Earning before interest, taxes, depreciation and amortization
"Group"	the Company and its subsidiaries
"HITL"	HSBC International Trustee Limited
"HKAS"	Hong Kong Accounting Standard

Term	Definition
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"LHI" or "Langham"	Langham Hospitality Investments and Langham Hospitality Investments Limited (Stock Code: 1270), the share stapled units of which were listed on the Stock Exchange on 30 May 2013, in which the Group had an interest of approximately 57.72% as at 31 December 2013
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"MGIL"	Magic Garden Investments Limited, a limited company incorporated in the British Virgin Islands and an associate of the Company, in which the Group has an interest of 33.33%
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	The People's Republic of China
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of ordinary share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S." or "United States"	United States of America

This annual report is available in both English and Chinese versions and has been published on the Company's website at www.GreatEagle.com.hk and the designated website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

In respect of (i) shareholders who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) shareholders who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) shareholders who wish to change their choice of means of receipt or language of the Company's future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting, circular to shareholders), they may at any time send their request by reasonable notice in writing by post or by email to GreatEagle.ecom@computershare.com.hk or by completing and returning the Change Request Form to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited by using the mailing label on the Change Request Form (postage prepaid if delivered within Hong Kong). The Change Request Form is being sent to shareholders together with the printed form of this annual report or written notification (as the case may be).

鷹君集團有限公司
Great Eagle
Holdings Limited

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

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