Financial Statements

Consolidated Income Statement (HK$m)

	Note	Year ended 31 December 2012	2011
Turnover	2	**5,178**	5,009
Cost of inventories		**(427)**	(418)
Staff costs and related expenses		**(1,842)**	(1,728)
Rent and utilities		**(607)**	(592)
Other operating expenses		**(1,101)**	(1,060)
Operating profit before interest, taxation, depreciation and amortisation ("EBITDA")		**1,201**	1,211
Depreciation and amortisation		**(384)**	(377)
Operating profit		**817**	834
Interest income		**56**	49
Financing charges	4	**(141)**	(137)
Net financing charges		**(85)**	(88)
Profit after net financing charges	3	**732**	746
Share of result of a jointly controlled entity	15	**(125)**	(85)
Increase in fair value of investment properties	12(b)	**1,073**	1,841
Gain on disposal of an unlisted equity instrument	16(b)	**46**	–
Provision for impairment loss	12(a)	**–**	(20)
Profit before taxation		**1,726**	2,482
Taxation			
Current tax	5	**(106)**	(165)
Deferred tax	5	**(64)**	(38)
Profit for the year		**1,556**	2,279
Profit attributable to:			
Shareholders of the Company		**1,555**	2,259
Non-controlling interests		**1**	20
Profit for the year		**1,556**	2,279
Earnings per share, basic and diluted (HK$)	9	**1.04**	1.52

Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 10.

The notes on pages 154 to 213 form part of these Financial Statements.

Consolidated Statement of Comprehensive Income (HK$m)

	Note	Year ended 31 December 2012	2011
Profit for the year		**1,556**	2,279
Other comprehensive income for the year, net of tax:	8		
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**179**	(30)
– financial statements of a jointly controlled entity		**13**	51
– loans to an associate		**10**	(20)
– investment in hotel management contracts		**11**	(19)
		213	(18)
Cash flow hedges:			
– effective portion of changes in fair values		**(18)**	(27)
– transfer from equity to profit or loss		**44**	54
		239	9
Total comprehensive income for the year		**1,795**	2,288
Total comprehensive income attributable to:			
Shareholders of the Company		**1,784**	2,260
Non-controlling interests		**11**	28
Total comprehensive income for the year		**1,795**	2,288

The notes on pages 154 to 213 form part of these Financial Statements.

Consolidated Statement of Financial Position (HK$m)

	Note	At 31 December 2012	2011
Non-current assets			
Fixed assets			
Properties, plant and equipment		**6,015**	5,679
Investment properties		**28,108**	26,803
	12	**34,123**	32,482
Interest in associates	14	**572**	562
Interest in a jointly controlled entity	15	**1,229**	1,340
Interest in unlisted equity instruments	16	**–**	–
Investment in hotel management contracts	17	**670**	662
Derivative financial instruments	18(a)	**–**	7
Deferred tax assets	19(b)	**46**	86
		36,640	35,139
Current assets			
Inventories	20	**96**	99
Trade and other receivables	21	**568**	508
Amount due from a jointly controlled entity	32(e)	**311**	492
Derivative financial instruments	18(a)	**7**	11
Cash at banks and in hand	22	**2,185**	1,984
		3,167	3,094
Current liabilities			
Trade and other payables	23	**(1,113)**	(1,063)
Interest-bearing borrowings	24	**(1,078)**	(1,090)
Derivative financial instruments	18(a)	**(52)**	(63)
Current taxation	19(a)	**(34)**	(72)
		(2,277)	(2,288)
Net current assets		**890**	806
Total assets less current liabilities		**37,530**	35,945
Non-current liabilities			
Interest-bearing borrowings	24	**(3,096)**	(3,229)
Trade and other payables	23	**(285)**	(254)
Net defined benefit retirement obligations	28(a)	**(25)**	(24)
Derivative financial instruments	18(a)	**(36)**	(77)
Deferred tax liabilities	19(b)	**(655)**	(623)
		(4,097)	(4,207)
Net assets		**33,433**	31,738
Capital and reserves			
Share capital	25	**751**	745
Reserves		**32,393**	30,710
Total equity attributable to shareholders of the Company		**33,144**	31,455
Non-controlling interests		**289**	283
Total equity		**33,433**	31,738

Approved by the Board of Directors on 13 March 2013 and signed on its behalf by:

The Hon. Sir Michael Kadoorie, Clement K. M. Kwok, Neil J. Galloway, Directors

The notes on pages 154 to 213 form part of these Financial Statements.

Parent Company Statement of Financial Position (HK$m)

	Note	At 31 December 2012	2011
Non-current assets			
Investment in subsidiaries	13	**–**	–
Derivative financial instruments	18(b)	**–**	40
		–	40
Current assets			
Trade and other receivables	21	**11,800**	11,785
Derivative financial instruments	18(b)	**43**	58
Cash at banks and in hand		**379**	286
		12,222	12,129
Current liabilities			
Trade and other payables	23	**(71)**	(46)
Derivative financial instruments	18(b)	**(36)**	(47)
Current taxation	19(a)	**–**	(2)
		(107)	(95)
Net current assets		**12,115**	12,034
Non-current liabilities			
Deferred tax liabilities	19(b)	**(1)**	(3)
Derivative financial instruments	18(b)	**–**	(33)
		(1)	(36)
Net assets		**12,114**	12,038
Capital and reserves			
Share capital	25	**751**	745
Reserves	26(a)	**11,363**	11,293
Total equity		**12,114**	12,038

Approved by the Board of Directors on 13 March 2013 and signed on its behalf by:

The Hon. Sir Michael Kadoorie, Clement K. M. Kwok, Neil J. Galloway, Directors

The notes on pages 154 to 213 form part of these Financial Statements.

Consolidated Statement of Changes in Equity (HK$m)

		Year ended 31 December								
		Attributable to shareholders of the Company								
	Note	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2011		740	3,373	13	(125)	(22)	25,124	29,103	981	30,084
Changes in equity for 2011:										
Profit for the year		–	–	–	–	–	2,259	2,259	20	2,279
Other comprehensive income	8	–	–	–	27	(26)	–	1	8	9
Total comprehensive income for the year		–	–	–	27	(26)	2,259	2,260	28	2,288
Dividends approved in respect of the previous year										
– by means of cash		–	–	–	–	–	(17)	(17)	–	(17)
– by means of scrip	25	4	97	–	–	–	(101)	–	–	–
Dividends approved in respect of the current year										
– by means of cash		–	–	–	–	–	(26)	(26)	–	(26)
– by means of scrip	25	1	32	–	–	–	(33)	–	–	–
Acquisition of non-controlling interest in a subsidiary		–	–	–	–	–	135	135	(713)	(578)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(13)	(13)
Balance at 31 December 2011		745	3,502	13	(98)	(48)	27,341	31,455	283	31,738
Changes in equity for 2012:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**1,555**	**1,555**	**1**	**1,556**
Other comprehensive income	8	**–**	**–**	**–**	**26**	**203**	**–**	**229**	**10**	**239**
Total comprehensive income for the year		**–**	**–**	**–**	**26**	**203**	**1,555**	**1,784**	**11**	**1,795**
Dividends approved in respect of the previous year										
– by means of cash		**–**	**–**	**–**	**–**	**–**	**(35)**	**(35)**	**–**	**(35)**
– by means of scrip	25	**6**	**108**	**–**	**–**	**–**	**(114)**	**–**	**–**	**–**
Dividends approved in respect of the current year		**–**	**–**	**–**	**–**	**–**	**(60)**	**(60)**	**–**	**(60)**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Balance at 31 December 2012		**751**	**3,610**	**13**	**(72)**	**155**	**28,687**	**33,144**	**289**	**33,433**

The notes on pages 154 to 213 form part of these Financial Statements.

Consolidated Statement of Cash Flows (HK$m)

	Note	Year ended 31 December 2012	2011
Operating activities			
Profit after net financing charges		**732**	746
Adjustments for:			
Depreciation	12(a)	**381**	374
Amortisation of hotel management contract	17	**3**	3
Interest income	3	**(56)**	(49)
Financing charges	4	**141**	137
Loss on disposal of fixed assets		**1**	1
Operating profit before changes in working capital		**1,202**	1,212
Decrease in inventories		**2**	7
Increase in trade and other receivables		**(62)**	(51)
Decrease in trade and other payables		**(9)**	(23)
Cash generated from operations		**1,133**	1,145
Net tax paid:			
Hong Kong Profits Tax paid		**(117)**	(106)
Overseas tax paid		**(52)**	(40)
Net cash generated from operating activities		**964**	999
Investing activities			
Payment for the purchase of fixed assets		**(875)**	(312)
Payment for the acquisition of additional interest in a subsidiary		**–**	(578)
Loans to an associate		**–**	(88)
Repayment from/(loan to) a jointly controlled entity	32(e)	**181**	(492)
Proceeds from sale of fixed assets		**1**	1
Proceeds from disposal of an unlisted equity instrument	16(b)	**46**	–
Net cash used in investing activities		**(647)**	(1,469)
Financing activities			
Drawdown of term loans		**1,495**	593
Repayment of term loans		**(533)**	(196)
Net decrease in revolving loans		**(914)**	(485)
Net (placement)/withdrawal of interest-bearing bank deposits with maturity of more than three months		**(487)**	990
Interest paid and other financing charges		**(127)**	(139)
Interest received		**56**	51
Dividends paid to shareholders of the Company		**(95)**	(43)
Dividends paid to holders of non-controlling interests		**(5)**	(13)
Net cash (used in)/generated from financing activities		**(610)**	758
Net (decrease)/increase in cash and cash equivalents		**(293)**	288
Cash and cash equivalents at 1 January		**1,963**	1,644
Effect of changes in foreign exchange rates		**12**	31
Cash and cash equivalents at 31 December	22	**1,682**	1,963

The notes on pages 154 to 213 form part of these Financial Statements.

Notes to the Financial Statements

1. Statement of compliance

These Financial Statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out in note 35 on pages 202 to 212.

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group and the Company. Note 36 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting years.

2. Turnover (HK$m)

The Company is an investment holding company; its subsidiary companies, associated companies and jointly controlled entity are engaged in the ownership, management and operation of hotels, commercial properties and clubs and services.

Turnover represents the gross amount invoiced for services, goods and facilities including management fees and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012	2011
Hotels (note 11(a))		
Rooms	**1,637**	1,642
Food and beverage	**1,232**	1,175
Commercial	**639**	597
Others	**377**	352
	3,885	3,766
Commercial Properties (note 11(a))	**733**	743
Clubs and Services (note 11(a))	**560**	500
	5,178	5,009

3. Profit after net financing charges (HK$m)

Profit after net financing charges is arrived at after charging/(crediting):

	2012	2011
Amortisation of hotel management contract	3	3
Depreciation	381	374
Auditor's remuneration:		
audit services	9	9
tax and other services	1	2
Foreign exchange gains	–	(1)
Minimum operating lease charges for properties, including contingent rent of HK$15 million (2011: HK$15 million) (note 32(b))	280	281
Interest income	(56)	(49)
Rentals receivable from investment properties less direct outgoings of HK$20 million (2011: HK$19 million)	(1,099)	(1,067)

4. Financing charges (HK$m)

	2012	2011
Interest on bank borrowings wholly repayable within five years	75	61
Other borrowing costs	16	13
Total interest expenses on financial liabilities carried at amortised cost	91	74
Derivative financial instruments:		
– cash flow hedges, transfer from equity	50	62
– at fair value through profit or loss	–	1
	141	137

5. Income tax in the consolidated income statement (HK$m)

(a) Taxation in the consolidated income statement represents:

	2012	2011
Current tax – Hong Kong profits tax		
Net Provision for the year	63	116
Current tax – Overseas		
Net Provision for the year	43	49
	106	165
Deferred tax		
Increase in net deferred tax liabilities relating to revaluation of overseas investment properties	24	14
Increase in net deferred tax liabilities relating to other temporary differences	40	24
	64	38
Total	170	203

The provision for Hong Kong profits tax for 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2012	2011
Profit before taxation	1,726	2,482
Notional tax at the domestic income tax rate of 16.5% (2011: 16.5%)	285	410
Tax effect of non-deductible expenses	58	62
Tax effect of non-taxable income	(80)	(61)
Tax effect of share of loss of a jointly controlled entity	31	21
Tax effect of fair value gain on Hong Kong investment properties	(174)	(298)
Tax effect of utilisation of previously unrecognised tax losses	4	(3)
Tax effect of tax losses not recognised	34	91
Effect of different tax rates of subsidiaries operating in other jurisdictions	17	(11)
Over-provision in respect of prior years	(1)	(5)
Others	(4)	(3)
Actual tax expense	170	203

6. Emoluments of key management personnel (HK$m)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. It comprises the Group Management Committee and the Non-executive Directors of the Group. Members of the Group Management Committee include the Executive Directors and five (2011: five) senior management. The total remuneration of the key management personnel is shown below:

	2012	2011
Directors' fees	3,464	3,409
Basic compensation	28,633	27,012
Bonuses and incentives	14,395	14,892
Retirement benefits	3,504	3,314
Other benefits	1,124	977
	51,120	49,604

Further details of the remuneration of the Directors (on a named basis) and senior management, and remuneration paid to the five highest paid individuals by bands are disclosed in the "2012 Remuneration of Directors and Senior Management" section of the Remuneration Committee Report on pages 136 and 137, which forms an integral part of these Financial Statements.

7. Profit attributable to shareholders of the Company (HK$m)

The consolidated profit attributable to shareholders of the Company includes a profit of HK$180 million (2011: HK$252 million) which has been dealt with in the Financial Statements of the Company.

8. Other comprehensive income (HK$m)

Tax effects relating to each component of other comprehensive income

	2012			2011		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	179	–	179	(30)	–	(30)
– financial statements of a jointly controlled entity	13	–	13	51	–	51
– loans to an associate	10	–	10	(20)	–	(20)
– investment in hotel management contracts	11	–	11	(19)	–	(19)
	213	–	213	(18)	–	(18)
Cash flow hedges:						
– effective portion of changes in fair values	(19)	1	(18)	(30)	3	(27)
– transfer from equity to profit or loss	50	(6)	44	62	(8)	54
Other comprehensive income	244	(5)	239	14	(5)	9

9. Earnings per share

(a) Earnings per share – basic

	2012	2011
Profit attributable to shareholders of the Company (HK$m)	**1,555**	2,259
Weighted average number of shares in issue (million shares)	**1,496**	1,484
Earnings per share (HK$)	**1.04**	1.52

	2012 (million shares)	*2011 (million shares)*
Issued shares at 1 January	***1,490***	*1,480*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2011 final dividend	***6***	*4*
Weighted average number of shares at 31 December	***1,496***	*1,484*

(b) Earnings per share – diluted

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

10. Dividends (HK$m)

(a) Dividends payable to shareholders of the Company attributable to the year

	2012	2011
Interim dividend declared and paid of 4 HK cents per share (2011: 4 HK cents per share)	**60**	59
Final dividend proposed after the end of reporting period of 10 HK cents per share (2011: 10 HK cents per share)	**150**	149
	210	208

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
Final dividend in respect of the previous financial year, approved and paid during the year, of 10 HK cents per share (2011: 8 HK cents per share)	**149**	118

11. Segment reporting (HK$m)

In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group's reportable segments are as follows:

Hotels	This segment includes revenue generated from operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings.
Commercial Properties	This segment is engaged in the leasing of commercial and office premises (other than those in hotel properties) and residential apartments, as well as operating food and beverage outlets in such premises.
Clubs and Services	This segment is engaged in the operation of golf courses, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

No operating segments have been aggregated to form the reportable segments.

(a) Segment results and assets (HK$m)

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses directly incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other expenses, including head office expenses not directly attributable to the reportable segments, are allocated to the segments by reference to the respective segments' earnings before interest, taxation, depreciation and amortisation (EBITDA). Interest income and expenses, results of associates and jointly controlled entities, taxes and any non-operating items are not allocated to the various segments.

The measure used for reporting segment results is EBITDA. In addition to receiving information concerning EBITDA, management is provided with segment information concerning depreciation and amortisation.

Segment assets include all tangible and intangible assets and current assets held directly by the respective segments with the exception of interests in associates, interest in and amount due from a jointly controlled entity, derivative financial instruments, deferred tax assets, as well as cash at bank and in hand. Corporate level assets are allocated to the segments by reference to the respective total segments' assets.

11. Segment reporting (HK$m) continued

(a) Segment results and assets (HK$m) continued

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

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	Year ended 31 December							
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Reportable segment revenue*	**3,885**	3,766	**733**	743	**560**	500	**5,178**	5,009
Reportable segment earnings before interest, taxation, depreciation and amortisation (EBITDA)	**596**	605	**474**	493	**131**	113	**1,201**	1,211
Depreciation and amortisation	**(355)**	(349)	**(7)**	(7)	**(22)**	(21)	**(384)**	(377)
Segment operating profit	**241**	256	**467**	486	**109**	92	**817**	834
Reportable segments assets	**16,635**	15,908	**17,899**	17,056	**923**	787	**35,457**	33,751

* *Analysis of segment revenue*

	2012	*2011*
Hotels		
- Rooms	***1,637***	*1,642*
- Food and beverage	***1,232***	*1,175*
- Commercial	***639***	*597*
- Others	***377***	*352*
	3,885	*3,766*
Commercial properties		
Rental revenue from:		
- Residential properties	***390***	*410*
- Offices	***67***	*71*
- Shopping arcades	***276***	*262*
	733	*743*
Clubs and Services		
- Clubs and consultancy services	***154***	*131*
- The Peak Tram operation	***114***	*108*
- Others	***292***	*261*
	560	*500*
	5,178	*5,009*

11. Segment reporting (HK$m) continued

(b) Reconciliations of reportable segment profit or loss and assets (HK$m)

Profit

Reconciliation of segment operating profit to the profit before taxation in the consolidated income statement is not presented, since the segment operating profit is the same as the operating profit presented in the consolidated income statement.

Assets

	Note	2012	2011
Reportable segments' assets		35,457	33,751
Interest in associates	14	572	562
Interest in a jointly controlled entity	15	1,229	1,340
Derivative financial instruments	18(a)	7	18
Deferred tax assets	19(b)	46	86
Amount due from a jointly controlled entity	32(e)	311	492
Cash at banks and in hand		2,185	1,984
Consolidated total assets		39,807	38,233

(c) Geographical information (HK$m)

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's total specified non-current assets (excluding derivative financial instruments and deferred tax assets). The geographical location of revenue is analysed based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and the location of operations in the case of interests in associates, jointly controlled entity and unlisted equity instruments and investment in hotel management contracts.

	Revenue from external customers		Specified non-current assets	
	2012	2011	2012	2011
Hong Kong	2,224	2,314	27,289	25,597
Mainland China	417	386	2,642	2,793
United States of America	1,090	1,045	2,575	2,463
Japan	814	699	1,059	1,242
Thailand	292	253	1,454	1,421
The Philippines	302	273	291	295
Vietnam	39	39	89	92
France	–	–	1,195	1,143
	5,178	5,009	36,594	35,046

12. Fixed assets (HK$m)

(a) Movements of fixed assets

	Group						
	Freehold land	Hotel and other buildings held for own use	Plant, machinery and other fixed assets	Sub-total	Investment properties	Interests in leasehold land held under finance leases	Total fixed assets
Cost or valuation:							
At 1 January 2011	995	7,081	4,008	12,084	24,840	1	36,925
Exchange adjustments	(39)	(47)	22	(64)	12	–	(52)
Additions	–	53	172	225	110	–	335
Disposals	–	(3)	(28)	(31)	–	–	(31)
Fair value adjustment	–	–	–	–	1,841	–	1,841
At 31 December 2011	956	7,084	4,174	12,214	26,803	1	39,018
Representing:							
Cost	956	7,084	4,174	12,214	–	1	12,215
Valuation – 2011	–	–	–	–	26,803	–	26,803
	956	7,084	4,174	12,214	26,803	1	39,018
At 1 January 2012	**956**	**7,084**	**4,174**	**12,214**	**26,803**	**1**	**39,018**
Exchange adjustments	**22**	**8**	**(35)**	**(5)**	**15**	**–**	**10**
Additions	**32**	**128**	**518**	**678**	**307**	**–**	**985**
Disposals	**–**	**(114)**	**(390)**	**(504)**	**(1)**	**–**	**(505)**
Transfer	**–**	**89**	**–**	**89**	**(89)**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**1,073**	**–**	**1,073**
At 31 December 2012	**1,010**	**7,195**	**4,267**	**12,472**	**28,108**	**1**	**40,581**
Representing:							
Cost	**1,010**	**7,195**	**4,267**	**12,472**	**–**	**1**	**12,473**
Valuation – 2012	**–**	**–**	**–**	**–**	**28,108**	**–**	**28,108**
	1,010	**7,195**	**4,267**	**12,472**	**28,108**	**1**	**40,581**
Accumulated depreciation and impairment losses:							
At 1 January 2011	386	3,160	2,688	6,234	–	1	6,235
Exchange adjustments	(20)	(53)	9	(64)	–	–	(64)
Charge for the year	–	140	234	374	–	–	374
Impairment loss	–	13	7	20	–	–	20
Written back on disposals	–	(2)	(27)	(29)	–	–	(29)
At 31 December 2011	366	3,258	2,911	6,535	–	1	6,536
At 1 January 2012	**366**	**3,258**	**2,911**	**6,535**	**–**	**1**	**6,536**
Exchange adjustments	**11**	**45**	**(12)**	**44**	**–**	**–**	**44**
Charge for the year	**–**	**150**	**231**	**381**	**–**	**–**	**381**
Written back on disposals	**–**	**(114)**	**(389)**	**(503)**	**–**	**–**	**(503)**
At 31 December 2012	**377**	**3,339**	**2,741**	**6,457**	**–**	**1**	**6,458**
Net book value:							
At 31 December 2012	**633**	**3,856**	**1,526**	**6,015**	**28,108**	**–**	**34,123**
At 31 December 2011	590	3,826	1,263	5,679	26,803	–	32,482

12. Fixed assets (HK$m) continued

(a) Movements of fixed assets continued

The Group assessed the recoverable amounts of its fixed assets (other than investment properties) at the end of the reporting date in accordance with the accounting policy as disclosed in note 35(j). No provision for or reversal of impairment is required as at 31 December 2012.

Impairment loss (2011)

The Directors considered that Quail Lodge Golf Club was further impaired as at 31 December 2011 due to the adverse operating environment. On that basis, its carrying amount was written down by HK$20 million to its recoverable amount based on its fair value determined by an independent professional valuer by making reference to the discounted cash flow valuation model of the property, applying a discount rate of 15% and a growth rate of 3% on 10-year cash flow projections.

(b) All investment properties of the Group were revalued as at 31 December 2012 on an open market value basis, mainly calculated by reference to net rental income and allowing for reversionary income potential. The changes in fair value of the investment properties during the year were accounted for in the consolidated income statement. The valuations were carried out by valuers independent of the Group and who have staff with recent experience in the location and category of the property being valued. Details of the valuers are as follows:

Description of investment properties	Name of valuer	Qualification of the staff of the valuer conducting the valuation
Hong Kong		
Retail shops, offices and residential apartments	Savills Valuation and Professional Services Limited	Members of the Hong Kong Institute of Surveyors
Other Asia*		
Retail shops, offices, residential apartments and vacant land	Savills Valuation and Professional Services Limited	Members of the Hong Kong Institute of Surveyors
	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
Retail shops and vacant land	HVS	Members of the Appraisal Institute, United States of America

* *Other Asia includes Mainland China, Japan, Thailand, The Philippines and Vietnam.*

12. Fixed assets (HK$m) continued

(c) The analysis of net book value of properties is as follows:

		2012	2011
Hong Kong	– Long term leases	25,404	24,145
	– Medium term leases	1,262	1,188
Thailand	– Freehold	1,331	1,298
Vietnam	– Medium term leases	88	92
Other Asia	– Medium term leases	2,283	2,424
USA	– Long term leases	1,041	969
	– Freehold	1,157	1,103
France	– Freehold	31	–
		32,597	31,219
Representing:			
Land and buildings carried at fair value (investment properties)		28,108	26,803
Land and buildings carried at cost		4,489	4,416
		32,597	31,219

(d) Fixed assets leased under operating leases

The Group leases its investment properties under operating leases. The leases typically run for an initial period of one to five years, with or without options to renew the leases after that date at which time all terms are renegotiated. Contingent rentals earned from these leases in 2012 amounted to HK$36 million (2011: HK$29 million). All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties. Future minimum rentals receivable under non-cancellable operating leases of these properties are disclosed in note 30(b).

(e) Assets under development

Included within properties, plant and equipment are assets under development amounting to HK$201 million (2011: HK$57 million), which were not subject to depreciation.

12. Fixed assets (HK$m) continued

(f) Hotel and investment properties, all held through subsidiaries, are as follows:

	Usage
Held in Hong Kong:	
Long term leases (over 50 years):	
The Peninsula Hong Kong, Salisbury Road	Hotel and commercial rentals
The Peninsula Office Tower, 18 Middle Road	Office
The Repulse Bay, 109 Repulse Bay Road	Residential and commercial rentals
Repulse Bay Apartments, 101 Repulse Bay Road	Residential
Repulse Bay Garage, 60 Repulse Bay Road	Commercial rentals
St. John's Building, 33 Garden Road	Office
Medium term lease (between 10 and 50 years):	
The Peak Tower, 128 Peak Road	Commercial rentals
Held in Mainland China:	
Medium term lease (between 10 and 50 years):	
The Peninsula Beijing, 8 Goldfish Lane, Wangfujing, Beijing	Hotel and commercial rentals
Held in Japan:	
Medium term lease (between 10 and 50 years):	
The Peninsula Tokyo, 1-8-1 Yurakucho, Chiyoda-ku, Tokyo	Hotel and commercial rentals
Held in Thailand:	
Freehold:	
The Peninsula Bangkok, 333 Charoennakorn Road, Klongsan, Bangkok 10600	Hotel
Thai Country Club, Bangna-Trad, Chachoengsao	Golf club
Land plots, Bangpakong District, Chachoengsao	Undetermined
Held in The Philippines:	
Medium term lease (between 10 and 50 years):	
The Peninsula Manila, Corner of Ayala and Makati Avenues, 1226 Makati City, Metro Manila	Hotel and commercial rentals
Held in Vietnam:	
Medium term lease (between 10 and 50 years):	
The Landmark, 5B Ton Duc Thang Street, District 1, Ho Chi Minh City	Residential and commercial rentals
Held in the United States of America:	
Freehold:	
Quail Lodge Golf Club	Golf club
Quail Lodge Resort * 8205 Valley Greens Drive, Carmel, California	Hotel
Vacant land, near Quail Lodge	Undetermined
The Peninsula Chicago, 108 East Superior Street (at North Michigan Avenue), Chicago, Illinois	Hotel
Long term lease (over 50 years):	
The Peninsula New York, 700 Fifth Avenue at 55th Street, New York	Hotel and commercial rentals

* *Quail Lodge Resort will re-open in 2013.*

12. Fixed assets (HK$m) continued

(f) Hotel and investment properties, all held through subsidiaries, are as follows: continued

	Usage
Held in France:	
Freehold:	
21 Rue de Longchamp, Paris 75016	Residential

(g) To provide additional information for shareholders, the Directors commissioned an independent valuation of the Group's hotel properties and golf courses as at 31 December 2012. The total valuation placed on the hotel properties and golf courses, which have a net book value of HK$5,794 million (2011: HK$5,489 million), was HK$9,274 million (2011: HK$9,038 million) as at 31 December 2012. It is important to note that the surplus of HK$3,480 million (2011: HK$3,549 million) and the related deferred taxation and non-controlling interests, if any, have not been incorporated in the consolidated Financial Statements but are provided for additional information only. The valuations were carried out by valuers independent of the Group, details of which are as follows:

Description of hotels and golf courses	Name of valuer	Qualification of the staff of the valuer conducting the valuation
Hong Kong and other Asia		
Hotels and golf course	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
Hotels and golf course	HVS	Members of the Appraisal Institute, United States of America

13. Investment in subsidiaries

	Company	
	2012	2011
Unlisted shares, at cost (HK$)	93,780	93,780

13. Investment in subsidiaries continued

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
The Peninsula Hotel Limited	Hong Kong	2 shares of HK$1 each	100%*	Hotel investment
The Repulse Bay Apartments Limited	Hong Kong	2 shares of HK$1 each	100%*	Property investment
The Repulse Bay Company, Limited	Hong Kong	2 shares of HK$1 each	100%*	Property investment
The Peak Tower Limited	Hong Kong	2 shares of HK$1 each	100%*	Property investment
Peak Tramways Company, Limited	Hong Kong	450,000 shares of HK$10 each	100%*	Tramway operation
St. John's Building Limited	Hong Kong	2 shares of HK$1 each	100%*	Property investment
Peninsula Merchandising Limited	Hong Kong	2 shares of HK$1 each	100%*	Wholesaling and retailing of merchandise
Tai Pan Laundry & Dry Cleaning Services, Limited	Hong Kong	5,000,000 shares of HK$1 each	100%*	Laundry and dry cleaning services
HSH Financial Services Limited	Hong Kong	1 share of HK$1	100%	Lending and borrowing of funds
Peninsula Clubs and Consultancy Services Limited	Hong Kong	1,000,000 shares of HK$1 each	100%*	Club management
HSH Management Services Limited	Hong Kong	10,000 shares of HK$10 each	100%*	Management and marketing services
Peninsula New York Hotel LLC	United States of America	Contributed capital of US$323,500,000	100%*	Hotel investment
Peninsula Chicago LLC	United States of America	Contributed capital of US$57,038,089	100%*	Hotel investment
Quail Lodge, Inc.	United States of America	10,652 shares of US$100 each	100%*	Golf club and property investment

13. Investment in subsidiaries continued

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Peninsula of Tokyo Limited	Japan	200 shares of JPY50,000 each	100%*	Hotel investment
The Palace Hotel Co., Ltd.	People's Republic of China	Registered capital of US$161,921,686	76.6%**	Hotel investment
Manila Peninsula Hotel, Inc.	The Philippines	111,840,386 shares of Pesos 10 each	77.36%*	Hotel investment
Siam Chaophraya Holdings Company Limited	Thailand	250,000 ordinary shares of THB2,000 each	75%*	Hotel investment
Town and Country Sport Club Company Limited	Thailand	1,250,000 ordinary shares of THB100 each∆	75%*	Golf club and property investment
International Burotel Company Limited	Vietnam	Registered capital of US$6,866,667	70%*	Property investment
Peninsula International (Lux) Limited S. à r.l.	Luxembourg/ France	12,500 shares of EUR1 each	100%*	Investment holding
Peninsula Paris Hotel Management SARL	France	2 shares of EUR1 each	100%*	Hotel management

* *Indirectly held.*

** *The Palace Hotel Co., Ltd. ("TPH") is a sino-foreign co-operative joint venture. During the year ended 31 December 2011, the Group increased its legal interest in the registered capital of TPH from 42.13% to 76.6%.*

The acquisition of additional interest in TPH has no impact on the Group's turnover or profit and loss for the year as the Group has been controlling the board as well as the financial and operating policies of TPH and thus treating it as a subsidiary since 2002.

∆ *5,000 shares are fully paid up and the remaining 1,245,000 shares are partially paid up at THB25 each.*

14. Interest in associates (HK$m)

	Group	
	2012	2011
Loans to an associate*	572	562

* The loans to an associate are denominated in Euros, unsecured, interest-bearing at rates related to the rates published by the French tax authorities and are carried at their estimated recoverable amounts. EUR13 million (HK$133.3 million) (2011: EUR13 million (HK$130.9 million)) of the loans is repayable in or before November 2014 while the remaining balance of the loans is repayable on 25 April 2017.

(a) Details of the principal unlisted associates are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest*	Principal activity
Al Maha Majestic S.à r.l. ("Al Maha")	Incorporated	Luxembourg/ France	EUR 12,500	20%	Investment holding
Majestic EURL ("Majestic")	Incorporated	France	EUR 80,000,000	20%	Hotel investment and investment holding

* The Group's effective interest is held indirectly by the Company. Al Maha holds a 100% direct interest in Majestic.

(b) The associates' attributable revenue for the year ended 31 December 2012 was HK$nil (2011: HK$nil) and the attributable results for the year ended 31 December 2012 are considered to be HK$nil (2011: HK$nil). The attributable assets of the associates as at 31 December 2012 were HK$857 million (2011: HK$647 million) and the attributable liabilities as at 31 December 2012 were HK$857 million (2011: HK$647 million). The associates' attributable accumulated results as at 31 December 2012 were not significant (2011: not significant).

(c) Majestic has pledged its properties under development as security for a loan facility amounting to HK$2,256 million (EUR220 million). As at 31 December 2012, the loan drawn down amounted to HK$1,120 million (EUR109 million) (2011: HK$265 million (EUR26 million)). The net carrying amount of these pledged assets amounted to HK$4,144 million (EUR404 million) (2011: HK$3,102 million (EUR308 million)).

15. Interest in a jointly controlled entity (HK$m)

	Group	
	2012	2011
Share of exchange reserve	178	165
Share of retained profits	593	717
Share of net assets	771	882
Loan to a jointly controlled entity (note 15(b))	458	458
	1,229	1,340

15. Interest in a jointly controlled entity (HK$m) continued

(a) Details of the jointly controlled entity are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest*	Principal activity
The Peninsula Shanghai (BVI) Limited ("TPS")	Incorporated	British Virgin Islands	US$1,000	50%	Investment holding

* *The Group's interest in TPS is held indirectly by the Company. TPS holds a 100% direct interest in Evermore Gain Limited ("EGL"), a company incorporated in Hong Kong in 2007, which in turn holds a 100% direct interest in The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"). PSW is a wholly owned foreign enterprise incorporated in the People's Republic of China and is engaged in the development and operation of The Peninsula Shanghai hotel, Peninsula hotel apartments, a retail arcade and ancillary facilities. At 31 December 2012, the paid up capital of EGL and PSW amounted to HK$1 (2011: HK$1) and US$117,500,000 (2011: US$117,500,000) respectively.*

(b) The loan to the jointly controlled entity is denominated in US dollars, unsecured, interest free and has no fixed repayment terms. It is neither past due nor impaired. The entire loan was contributed as capital of PSW described in note 15(a) above.

(c) Set out below is a summary of the financial information on the jointly controlled entity, of which the Group has a 50% share:

	Group	
	2012	2011
Non-current assets	**6,469**	6,510
Current assets	**227**	103
Current liabilities	**(789)**	(3,226)
Non-current liabilities	**(4,366)**	(1,623)
Net assets	**1,541**	1,764
Income	**492**	461
Operating expenses	**(424)**	(393)
EBITDA	**68**	68
Depreciation	**(102)**	(105)
Net financing charges	**(188)**	(125)
Loss before non-operating item	**(222)**	(162)
Non-operating item, net of tax*	**(28)**	(8)
Loss for the year	**(250)**	(170)

* *Being decrease in fair value of investment properties, net of tax.*

(d) During 2012, PSW entered into a 15-year RMB2,500 million term loan agreement with an independent financial institution to refinance its maturing facilities which amounted to RMB1,600 million. As at 31 December 2012, the loan drawn down amounted to RMB2,292 million (2011: RMB1,600 million). The loan is secured by PSW's properties inclusive of the land use rights. The net carrying amount of these pledged assets amounted to HK$6,469 million (RMB5,201 million) (2011: HK$6,510 million (RMB5,292 million)).

16. Interest in unlisted equity instruments (HK$m)

(a) Available for sale unlisted equity instruments include:

	Ownership interest held indirectly	Place of establishment
The Belvedere Hotel Partnership	20%	United States of America

The Belvedere Hotel Partnership ("BHP") holds a 100% interest in The Peninsula Beverly Hills ("PBH"). The Group considers it is not in a position to exercise significant influence over this investment.

BHP has pledged its hotel property and other assets to an independent financial institution as security for BHP's loan facility, amounting to US$140 million (HK$1,092 million) (2011: US$140 million (HK$1,092 million)). The net carrying amount of these pledged assets amounted to US$75 million (HK$581 million) (2011: US$73 million (HK$569 million)).

Pursuant to the restated joint venture agreement dated 6 April 2010, the Group has committed to advance up to US$6 million to fund PBH's renovation. This advance is unsecured, bears interest with reference to its bank borrowing rates and has no fixed date of repayment. The balance of this advance outstanding as at 31 December 2012 amounted to HK$33 million (2011: HK$44 million) and is included in trade and other receivables.

(b) The Group had a 17.29% interest in Inncom International, Inc., which was held as an unlisted equity investment with a carrying amount of HK$nil at 31 December 2011. During 2012, the Group disposed of this investment and recognised a non-operating gain of HK$46 million.

17. Investment in hotel management contracts (HK$m)

	Group	
	2012	2011
Cost		
At 1 January	**764**	783
Exchange adjustments	**11**	(19)
At 31 December	**775**	764
Accumulated amortisation		
At 1 January	**(102)**	(99)
Amortisation for the year	**(3)**	(3)
At 31 December	**(105)**	(102)
Net book value	**670**	662

The amortisation charge for the year is included in "Depreciation and amortisation" in the consolidated income statement.

Investment in hotel management contracts represents the cost attributable to securing the Group's long term management contracts in respect of The Peninsula Beverly Hills and The Peninsula Paris ("PPR"). The management contract for PPR will be amortised from the date of commencement of hotel operation.

18. Derivative financial instruments (HK$m)

(a) Group

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	–	(74)	–	(107)
Cross currency interest rate swaps	–	(4)	–	(8)
	–	(78)	–	(115)
At fair value through profit or loss:				
Interest rate swaps	7	(10)	18	(25)
Total	7	(88)	18	(140)
Less: Portion to be recovered/(settled) within one year				
Cash flow hedges:				
Interest rate swaps	–	(38)	–	(42)
Cross currency interest rate swaps	–	(4)	–	(5)
	–	(42)	–	(47)
At fair value through profit or loss:				
Interest rate swaps	7	(10)	11	(16)
	7	(52)	11	(63)
Portion to be recovered/(settled) after one year	–	(36)	7	(77)

(b) Company

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	7	–	18	–
At fair value through profit or loss:				
Interest rate swaps	36	(36)	80	(80)
Total	43	(36)	98	(80)
Less: Portion to be recovered/(settled) within one year				
Cash flow hedges:				
Interest rate swaps	7	–	11	–
At fair value through profit or loss:				
Interest rate swaps	36	(36)	47	(47)
	43	(36)	58	(47)
Portion to be recovered/(settled) after one year	–	–	40	(33)

19. Income tax in the statement of financial position (HK$m)

(a) Current taxation in the statement of financial position represents:

	Group		Company	
	2012	2011	**2012**	2011
Provision for Hong Kong Profits Tax for the year	**65**	123	**5**	9
Provisional profits tax paid	**(69)**	(79)	**(6)**	(7)
	(4)	44	**(1)**	2
Balance of Hong Kong Profits Tax provision relating to prior years	**(6)**	–	**–**	–
Provision for overseas taxes	**19**	28	**–**	–
	9	72	**(1)**	2
Represented by:				
Tax recoverable (note 21)	**(25)**	–	**(1)**	–
Current tax payable (included in current liabilities)	**34**	72	**–**	2
	9	72	**(1)**	2

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group					
	Revaluation of investment properties	Tax allowances in excess of the related depreciation	Provisions and others	Tax losses	Cash flow hedges	Total
Deferred tax arising from:						
At 1 January 2011	155	664	(25)	(282)	(19)	493
Charged to profit or loss	14	16	2	4	2	38
Charged/(credited) to reserves	(1)	2	–	–	5	6
At 31 December 2011 and at 1 January 2012	168	682	(23)	(278)	(12)	537
Charged/(credited) to profit or loss	**24**	**(40)**	**1**	**78**	**1**	**64**
Charged/(credited) to reserves	**(1)**	**5**	**–**	**(1)**	**5**	**8**
At 31 December 2012	**191**	**647**	**(22)**	**(201)**	**(6)**	**609**

19. Income tax in the statement of financial position (HK$m) continued

(b) Deferred tax assets and liabilities recognised continued

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable.

The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position.

	Group	
	2012	2011
Deferred tax assets	(46)	(86)
Deferred tax liabilities	655	623
	609	537

	Company	
	2012	2011
Deferred tax liabilities arising from cash flow hedges	1	3

The Group has not recognised the following potential deferred tax assets:

	Group	
	2012	2011
Future benefit of tax losses	782	671

In accordance with the accounting policy set out in note 35(q), the Group has not recognised deferred tax assets in respect of certain accumulated tax losses of HK$2,061 million (2011: HK$1,813 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Details of the expiry date of unused tax losses are as follows:

	Group	
	2012	2011
Within one year	62	20
After one year but within five years	542	858
After five years but within 20 years	1,412	901
Without expiry date	45	34
	2,061	1,813

In accordance with the accounting policy set out in note 35(q), the Group has not recognised deferred tax liabilities totalling HK$24 million (2011: HK$29 million) in respect of undistributed profits of certain subsidiaries amounting to HK$243 million (2011: HK$290 million), as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

20. Inventories (HK$m)

	Group	
	2012	2011
Food and beverage and others	96	99

The cost of inventories recognised as expenses in the consolidated income statement amounted to HK$427 million (2011: HK$418 million).

21. Trade and other receivables (HK$m)

	Group		Company	
	2012	2011	2012	2011
Loans and other receivables due from subsidiaries	–	–	13,577	13,565
Provision for impairment	–	–	(1,786)	(1,786)
	–	–	11,791	11,779
Trade debtors (ageing analysis is shown below)	223	202	–	–
Loans and receivables	223	202	11,791	11,779
Rental deposits, payments in advance and other receivables	320	306	8	6
Tax recoverable (note 19(a))	25	–	1	–
	568	508	11,800	11,785

Loans and other receivables due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for an amount of HK$2,600 million (2011: HK$2,476 million), which bears interest at market rates.

The amount of the Group's and the Company's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$127 million (2011: HK$139 million) and HK$9,121 million (2011: HK$9,897 million) respectively. All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Directors consider that the carrying amount of all trade and other receivables approximates their fair value.

The ageing analysis of trade debtors is as follows:

	Group	
	2012	2011
Current	191	177
Less than one month past due	21	18
One to three months past due	9	6
More than three months but less than 12 months past due	2	1
Amounts past due	32	25
	223	202

Trade debtors are normally due within 30 days from the date of billing. The Group's credit policy is set out in note 29(d).

No impairment is considered necessary for any of the trade debtors including those that are past due as they relate to a wide range of independent customers that have a good track record with the Group, with no recent history of default and are considered by the management to be fully recoverable.

22. Cash at banks and in hand (HK$m)

	Group		Company	
	2012	2011	2012	2011
Interest-bearing bank deposits	2,075	1,882	378	285
Cash at banks and in hand	110	102	1	1
Total cash at banks and in hand	2,185	1,984	379	286
Less: Bank deposits with maturity of more than three months	(494)	(7)	(90)	–
Bank overdrafts (note 24)	(9)	(14)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	1,682	1,963	289	286

Cash at banks and in hand at the end of the reporting period include deposits with banks of HK$688 million (2011: HK$416 million) held by overseas subsidiaries which are subject to prevailing regulatory and foreign exchange restrictions.

23. Trade and other payables (HK$m)

	Group		Company	
	2012	2011	2012	2011
Trade creditors (ageing analysis is shown below)	144	148	–	–
Interest payable	7	4	–	–
Accruals for fixed assets	141	50	–	–
Tenants' deposits	331	324	–	–
Guest deposits	104	116	–	–
Golf membership deposits	107	107	–	–
Other payables	564	568	21	21
Other payables to subsidiaries	–	–	50	25
Financial liabilities measured at amortised cost	1,398	1,317	71	46
Less: Non-current portion of trade and other payables	(285)	(254)	–	–
Current portion of trade and other payables	1,113	1,063	71	46

The amount of trade and other payables of the Group expected to be settled or recognised as income after more than one year is HK$387 million (2011: HK$341 million). All the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The director considers that, the carrying amounts of all trade and other payables approximate their fair value.

The ageing analysis of trade creditors is as follows:

	Group	
	2012	2011
Less than three months	141	145
Three to six months	3	3
	144	148

24. Interest-bearing borrowings (HK$m)

	Group	
	2012	2011
Total facilities available:		
Term loans and revolving credits	4,543	4,605
Uncommitted facilities, including bank overdrafts	298	296
	4,841	4,901
Utilised at 31 December:		
Term loans and revolving credits	4,144	4,335
Uncommitted facilities, including bank overdrafts	53	14
	4,197	4,349
Less: Unamortised financing charges	(23)	(30)
	4,174	4,319
Represented by:		
Short-term bank loans, repayable within one year or on demand	1,069	1,076
Bank overdrafts, repayable on demand (note 22)	9	14
	1,078	1,090
Long-term bank loans, repayable:		
Between one and two years	578	1,072
Between two and five years	2,090	2,187
Over five years	451	–
	3,119	3,259
Less: Unamortised financing charges	(23)	(30)
Non-current portion of long-term bank loans	3,096	3,229
Total interest-bearing borrowings	4,174	4,319

All of the non-current interest-bearing borrowings are carried at amortised cost. The non-current portion of long-term bank loans is not expected to be settled within one year and all borrowings are unsecured.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to some of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(c). As at 31 December 2012 and 2011, none of the covenants relating to drawn down facilities had been breached.

25. Share capital

	2012	2011
Number of shares of HK$0.50 each (million)		
Authorised	**1,800**	1,800
Issued		
At 1 January	**1,490**	1,480
New shares issued under scrip dividend scheme (note)	**12**	10
At 31 December	**1,502**	1,490
Nominal value of shares (HK$m)		
Authorised	**900**	900
Issued		
At 1 January	**745**	740
New shares issued under scrip dividend scheme (note)	**6**	5
At 31 December	**751**	745

All ordinary shares issued during the year rank pari passu in all respects with the existing shares in issue. All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Note
During the year, the Company issued and allotted new shares which were fully paid under the scrip dividend scheme as follows:

			Increase in	
	Number of shares million	*Scrip price HK$*	*share capital HK$m*	*share premium HK$m*
2012				
2011 final scrip dividend	***11.8***	***9.74***	***6***	***108***
2011				
2010 final scrip dividend	*7.7*	*13.20*	*4*	*97*
2011 interim scrip dividend	*3.1*	*10.88*	*1*	*32*
	10.8		*5*	*129*

26. Reserves (HK$m)

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

(a) Company

	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2011	3,373	13	4,975	30	2,714	11,105
Profit for the year	–	–	–	–	252	252
Other comprehensive income	–	–	–	(16)	–	(16)
Total comprehensive income for the year	–	–	–	(16)	252	236
Dividends approved in respect of the previous year						
– by means of cash	–	–	–	–	(17)	(17)
– by means of scrip	97	–	–	–	(101)	(4)
Dividends approved in respect of the current year						
– by means of cash	–	–	–	–	(26)	(26)
– by means of scrip	32	–	–	–	(33)	(1)
At 31 December 2011	3,502	13	4,975	14	2,789	11,293
At 1 January 2012	**3,502**	**13**	**4,975**	**14**	**2,789**	**11,293**
Profit for the year	**–**	**–**	**–**	**–**	**180**	**180**
Other comprehensive income	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Total comprehensive income for the year	**–**	**–**	**–**	**(9)**	**180**	**171**
Dividends approved in respect of the previous year						
– by means of cash	**–**	**–**	**–**	**–**	**(35)**	**(35)**
– by means of scrip	**108**	**–**	**–**	**–**	**(114)**	**(6)**
Dividends approved in respect of the current year	**–**	**–**	**–**	**–**	**(60)**	**(60)**
At 31 December 2012	**3,610**	**13**	**4,975**	**5**	**2,760**	**11,363**

26. Reserves (HK$m) continued

(b) Nature and purpose of reserves

Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Capital reserve

The Company's capital reserve represents the profit recognised on the intra-group transfer of properties as a result of the corporate restructuring in 1991.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges in note 35(e).

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 35(t).

(c) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to shareholders of the Company, as calculated under the provision of section 79B of the Hong Kong Companies Ordinance, was HK$2,760 million (2011: HK$2,789 million). After the end of the reporting period, the Directors proposed a final dividend of 10 HK cents per share (2011: 10 HK cents per share), amounting to HK$150 million (2011: HK$149 million). This dividend has not been recognised as a liability at the end of the reporting period.

(d) Capital management

The Group takes a long term view of its business and consequently the planning of the use of capital. The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern, to secure access to finance at a reasonable cost relative to risk and to provide an appropriate return to shareholders. In so doing, it seeks to achieve an appropriate balance between shareholders' equity and external debt by taking into account the cost of capital and the efficiency of using the capital.

The Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

26. Reserves (HK$m) continued

(d) Capital management continued

In addition, the Group maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to meet its financial obligations and to finance its growth and development.

The Group monitors its capital structure on the basis of its gearing ratio, which is expressed as the percentage of net borrowings (defined as interest-bearing loans and borrowings less cash at bank and in hand) to the total of net borrowings and equity attributable to shareholders of the Company. The Group's share of net borrowings and equities of the non-consolidated entities (such as the associates, jointly controlled entity and unlisted equity instruments), if any, are also taken into account. The calculations of gearing ratios before and after the non-consolidated entities as at 31 December 2012 and 2011 are as follows:

(HK$m)	2012	2011
Interest-bearing borrowings	4,174	4,319
Less: Cash at banks and in hand	(2,185)	(1,984)
Net borrowings per the statement of financial position	1,989	2,335
Share of net borrowings of non-consolidated entities	1,751	1,401
Net borrowings adjusted for non-consolidated entities	3,740	3,736
Equity attributable to shareholders of the Company per the statement of financial position	33,144	31,455
Equity plus net borrowings per the statement of financial position	35,133	33,790
Equity plus net borrowings adjusted for non-consolidated entities	36,884	35,191
Gearing ratio based on the Financial Statements	6%	7%
Gearing ratio adjusted for non-consolidated entities	10%	11%

During 2012, the Group continued to operate within its long term treasury management guidelines. Operating and investment decisions are made by making reference to long term cash flow forecasts to ensure that the guidelines are followed.

The Group is subject to covenants imposed by the lenders of the interest-bearing borrowings based on the Group's borrowings and other indebtedness, as well as the amount of equity attributable to shareholders of the Company. The Group complied with the imposed loan covenants on capital requirements for the years ended 31 December 2012 and 2011. Except for the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. Loan to an officer

Loan to an officer of a subsidiary of the Company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Loans made by a third party under guarantee given by the Company

Name of borrower	Mr. Martyn P. A. Sawyer
Position	Group General Manager, Properties and Clubs
Extent of guarantee given to a bank	GBP120,000
Maximum liability under the guarantee:	
at 1 January 2011	HK$1,005,000
at 31 December 2011 and 1 January 2012	HK$965,000
at 31 December 2012	HK$925,000
Amount paid or liability incurred under the guarantee	HK$nil (2011: HK$nil)

The guarantee is given without recourse to the officer. The Directors do not consider it probable that the Company will be called upon under the guarantee. The guarantee will be outstanding until the loan granted to the officer by the bank is repaid and the loan has a remaining term until 2014.

28. Employee retirement benefits

(a) Defined benefit retirement obligations

The Group maintains several defined benefit retirement plans covering 628 employees (2011: 629 employees) of the Group. Such plans are administered by independent trustees with the assets, if any, held separately from those of the Group.

Quail Lodge, Inc. ("QLI"), a US subsidiary of the Company, has retirement compensation agreements with certain employees which provide, among other things, that during the employees' lifetime after retirement, QLI will pay such employees retirement compensation equal to 30% of their average salaries in their final three years of employment.

QLI has not funded the above retirement compensation arrangement and the liability in respect of its obligations is fully recognised in its Financial Statements at each year end date, based on independent actuarial valuation prepared by qualified staff of Bartel Associates, LLC, who are members of the American Academy of Actuaries, using the projected unit credit method as at 31 December 2012.

Manila Peninsula Hotel, Inc. ("MPHI"), a Philippine subsidiary of the Company, operates a non-contributory defined benefit retirement plan which covers all its employees. The plan is administered by an independent trustee with the assets held separately from those of MPHI.

The above plan is funded by contributions from MPHI in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The latest independent actuarial valuation of the plan was prepared by qualified staff of Actuarial Advisers, Inc., who are members of the Actuarial Society of the Philippines, using the projected unit credit method as at 31 December 2012. The actuarial valuation indicated that MPHI's obligations under the defined benefit retirement plan were 76% (2011: 74%) covered by the plan assets held by the trustee. The present value of the uncovered obligations was fully provided for as at 31 December 2012.

28. Employee retirement benefits continued

(a) Defined benefit retirement obligations continued

The amounts recognised in the Group's statement of financial position are as follows (HK$m):

	Group	
	2012	2011
Present value of wholly or partly funded obligations	52	48
Fair value of plan assets	(33)	(29)
	19	19
Unrecognised actuarial gains	6	5
	25	24

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$5 million (2012: HK$4 million) in contributions to defined benefit retirement plans in 2013.

Plan assets consist of the following (HK$m):

	Group	
	2012	2011
Stocks	25	22
Mutual funds	8	7
	33	29

Movements in the present value of the defined benefit obligations (HK$m):

	Group	
	2012	2011
At 1 January	48	46
Exchange adjustments	3	(1)
Benefits paid by the plans	(4)	(2)
Current service cost	4	3
Interest cost	3	3
Actuarial gain	(2)	(1)
At 31 December	52	48

28. Employee retirement benefits continued

(a) Defined benefit retirement obligations continued

Movements in plan assets (HK$m):

	Group	
	2012	2011
At 1 January	29	25
Exchange adjustments	2	–
Group's contributions paid to the plans	4	4
Benefits paid by the plans	(3)	(1)
Actuarial expected return on plan assets	2	1
Actuarial loss	(1)	–
At 31 December	33	29

Expense recognised as staff costs in the consolidated income statement is as follows (HK$m):

	Group	
	2012	2011
Current service cost	4	3
Interest cost	3	3
Actuarial expected return on plan assets	(2)	(1)
	5	5

The actual return on plan assets (taking into account all changes in the fair value of the plan assets excluding contributions paid and received) was net income of HK$2 million (2011: HK$1 million).

The principal actuarial assumptions used as at 31 December 2012 are as follows:

	Group	
	2012	2011
Discount rate	3.5% to 6.5%	3.5% to 7%
Expected rate of return on plan assets	4.5%	7%
Future salary increases	4%	4% to 5%

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns without adjustments.

28. Employee retirement benefits continued

(a) Defined benefit retirement obligations continued

Historical information (HK$m):

	Group				
	2012	2011	2010	2009	2008
Present value of defined benefit obligations	**52**	48	46	42	36
Fair value of plan assets	**(33)**	(29)	(25)	(19)	(15)
Deficit in the plan	**19**	19	21	23	21
Experience adjustments arising on plan liabilities	**(2)**	(1)	(2)	1	1
Experience adjustments arising on plan assets	**(1)**	–	2	1	2

(b) Defined contribution retirement plans

The Group has a defined contribution retirement plan covering 1,370 employees (2011: 1,357 employees), most of whom are in Hong Kong. The defined contribution retirement plan is formally established under an independent trust with the assets of the funds held separately from those of the Group by an independent trustee. The plan is registered under the Occupational Retirement Schemes Ordinance in Hong Kong and is exempted under the Mandatory Provident Fund Schemes (Exemption) Regulation. Employees covered by this plan are not required to make contributions and funds contributed by employers are fully vested with their employees immediately. The average contribution rate against employees' relevant income for the year was 13% (2011: 13%).

In addition, the Group participates in the Mandatory Provident Fund Scheme ("the MPF Scheme") under the Mandatory Provident Fund Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, which is operated by an independent service provider to cover 483 employees (2011: 463 employees) in Hong Kong who are not covered by the above defined contribution retirement plan. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Contributions at a fixed rate of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 per employee, are made to the Scheme by both the employer and the employee and vest immediately.

The Group also operates several defined contribution retirement plans, including union pension schemes for its overseas subsidiaries covering 2,234 employees (2011: 2,194 employees) in other Asian countries and the United States of America, in accordance with the respective applicable labour regulations.

Total contributions to all of the above defined contribution retirement plans made by the Group amounted to HK$92 million (2011: HK$83 million) and was charged to the income statement during the year.

29. Financial risk management and fair values

The Group is exposed to foreign exchange, interest rate, liquidity and credit risks in its normal course of business. The Group's exposure to these risks, as well as various techniques and derivative financial instruments used to manage these risks, are described below.

(a) Foreign exchange risk

The Group manages its foreign exchange exposure with a view to protecting its net assets and profitability against adverse fluctuations in exchange rates. The Company reports its results in Hong Kong dollars. In the light of the Hong Kong dollar peg, the Group does not hedge United States dollar exposures and it aims to preserve its value in Hong Kong dollar and/or United States dollar terms.

Foreign exchange risk may arise in sale and purchase transactions which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Japanese Yen, Thai Baht, Renminbi, Philippine Pesos and Euro.

Forecast transactions

In respect of committed future transactions and highly probable forecast transactions, the Group usually hedges most of the estimated foreign currency transaction exposures if the foreign exchange risk of these exposures is considered to be significant. The Group mainly uses forward exchange contracts to hedge this type of foreign exchange risk and classifies these contracts as cash flow hedges.

At 31 December 2012 and 2011, there were no outstanding forward exchange contracts.

Recognised assets and liabilities

The Group has foreign currency monetary assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items are recognised in the income statement.

The Group usually hedges most of the foreign exchange exposures arising from significant foreign currency monetary assets and liabilities, including foreign currency borrowings. The Group mainly uses cross currency swaps, foreign exchange swaps or forward exchange contracts to hedge this type of foreign exchange risk and classifies these derivative financial instruments as cash flow hedges or at fair value through profit or loss, depending on whether the future foreign currency cash flows are fixed or not.

Changes in the fair value of these cash flow hedges or derivative financial instruments at fair value through profit or loss are recognised in the hedging reserve or the income statement respectively.

29. Financial risk management and fair values continued

(a) Foreign exchange risk continued

Recognised assets and liabilities continued

All of the Group's borrowings are denominated in the functional currency of the operations to which they relate or, in case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, it is not expected that there will be any significant currency risk associated with the Group's borrowings.

Net investment in foreign subsidiaries

At 31 December 2012 and 2011, the Group did not hedge any net investment in foreign subsidiaries.

Exposure to foreign exchange risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The amounts of the exposure are shown in original currency. Differences resulting from the translation of the Financial Statements of the foreign operations into the Group's presentation currency and exposures arising from inter-company balances which are denominated in a foreign currency and is considered to be in the nature of investment in the subsidiary, jointly controlled entity and associates are excluded.

	Group			
	2012		2011	
(million)	United States Dollars	Philippine Pesos	United States Dollars	Philippine Pesos
Trade and other receivables	36	–	28	–
Cash at banks and in hand	13	4	7	6
Trade and other payables	(17)	–	(10)	–
Derivative financial instruments	(1)	–	(3)	–
Interest-bearing borrowings	(42)	–	(48)	–
Gross exposure arising from recognised assets and liabilities	(11)	4	(26)	6
Notional amount of derivative financial instruments				
– held as cash flow hedges	42	–	42	–
Net exposure arising from recognised assets and liabilities	31	4	16	6

29. Financial risk management and fair values continued

(a) Foreign exchange risk continued

Exposure to foreign exchange risk continued

	Company			
	2012		2011	
(million)	United States Dollars	Philippine Pesos	United States Dollars	Philippine Pesos
Trade and other receivables	24	–	19	–
Trade and other payables	(8)	–	(4)	–
Cash at banks and in hand	8	4	4	6
Overall net exposure	24	4	19	6

Based on the sensitivity analysis performed as at 31 December 2012, it was estimated that an increase/decrease of 10% in foreign exchange rate in respect of financial instruments denominated in currency other than the functional currencies, with all other variables held constant, would not have significant impact on the Group's post-tax profits and other components of equity.

(b) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. All of the Group's borrowings bear floating interest rates that are reset on a regular basis as market interest rates change and hence expose the Group to cash flow interest rate risk. As the borrowing costs are subject to market fluctuations in interest rates, the Group adopts a policy to fix interest rates of 40% to 70% of the exposure, with a long term target of 50%, mainly by way of interest rate swaps, cross currency interest rate swaps or other derivative financial instruments.

Following the disposal of The Kowloon Hotel in 2005, the Group applied the sale proceeds towards reducing bank borrowings and re-adjusting the loan interest hedging ratio, rendering some outstanding interest rate swaps ineffective at the Group level. The Company entered into new interest rate swaps to offset the financial effect of the ineffective interest rate swaps and classified these new swaps as cash flow hedges against intra-group borrowings. However, at the Group level, these pairs of offsetting interest rate swaps are classified as fair value through profit or loss and changes in their fair values are recognised in the consolidated income statement as the intra-group borrowings are eliminated upon consolidation. At 31 December 2012, these pairs of swaps had a total notional principal of HK$595 million (2011: HK$595 million) maturing over the next one year (2011: two years) with a total fair value of HK$(3) million (2011: HK$(7) million).

At 31 December 2012, the Group and the Company had interest rate swaps and cross currency interest rate swaps that are classified as cash flow hedges with a total notional contract amount of HK$1,803 million (2011: HK$1,843 million) maturing over the next five years (2011: six years) and HK$298 million (2011: HK$298 million) maturing over the next one year (2011: two years) respectively. Changes in fair value of these swaps accounted for as cash flow hedges are recognised in the hedging reserve. The Group locked in the following ranges of fixed rates by the swaps at 31 December 2012:

	31 December 2012	31 December 2011
Hong Kong Dollars	2.1% to 4.9%	2.1% to 4.9%
United States Dollars	0.6% to 4.7%	0.7% to 5.8%
Japanese Yen	1.5% to 2.1%	1.5% to 2.1%

29. Financial risk management and fair values continued

(b) Interest rate risk continued

The net fair value of all the interest rate swaps and cross currency interest rate swaps entered into by the Group and the Company at 31 December 2012 was as follows (HK$m):

	Group		Company	
	2012	2011	2012	2011
Cash flow hedges (note 18)	(78)	(115)	7	18
At fair value through profit or loss (note 18)	(3)	(7)	–	–
	(81)	(122)	7	18

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period, after taking into account the effect of interest rate swaps and cross currency interest rate swaps designated as cash flow hedging instruments.

	Group			
	2012		2011	
	Effective interest rate	HK$m	Effective interest rate	HK$m
Fixed rate borrowings:				
Bank loans	4.2%	2,256	4.3%	1,845
Floating rate borrowings:				
Bank loans	2.5%	1,918	2.1%	2,474
Total interest-bearing borrowings		4,174		4,319
Fixed rate borrowings as a percentage of total borrowings		54%		43%

29. Financial risk management and fair values continued

(b) Interest rate risk continued

On the other hand, at 31 December 2012 and 2011, the Group and the Company had short term bank deposits. Since these deposits are placed for short term liquidity purposes, the Group and the Company have no intention to lock in their interest rates for long term. In addition, the Company/Group grants interest-bearing loans to subsidiaries/a jointly controlled entity, which are subject to interest rate risk. The interest rate profile of these bank deposits and intra-group loans at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments is summarised as follows:

	Group				Company			
	2012		2011		2012		2011	
	Effective interest rate	HK$m	Effective interest rate	HK$m	Effective interest rate	HK$m	Effective interest rate	HK$m
Fixed rate instruments:								
Loans to subsidiaries		–		–	4.8%	298	4.8%	298
Amount due from a jointly controlled entity	4.8%	311	5.5%	492		–		–
Floating rate instruments:								
Bank deposits	1.4%	2,075	1.9%	1,882	1.0%	378	1.7%	284
Loans to subsidiaries		–		–	0.1%	2,302	0.2%	2,178
Total interest-bearing financial assets		2,386		2,374		2,978		2,760

Sensitivity analysis

The Group and the Company

The following tables indicate the approximate changes in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the interest rates, with all other variables held constant, to which the Group has significant exposure at the end of the reporting period. As at 31 December 2012 and 2011, the effects were attributable to changes in interest income and expense relating to floating rate financial instruments and gains or losses resulting from changes in the fair value of derivative financial instruments.

29. Financial risk management and fair values continued

(b) Interest rate risk continued

Sensitivity analysis continued

	Group					
	2012			2011		
	Increase/(decrease) in			Increase/(decrease) in		
	Interest rates (basis points)	Profit after tax and retained profits (HK$m)	Other components of equity (HK$m)	Interest rates (basis points)	Profit after tax and retained profits (HK$m)	Other components of equity (HK$m)
Renminbi	100	5	–	100	3	–
	(100)	(5)	–	(100)	(3)	–
Thai Baht	100	(3)	–	100	(2)	–
	(100)	3	–	(100)	2	–
Japanese Yen	50	(3)	3	50	(5)	19
	(50)	3	(3)	(50)	5	(19)
Philippine Pesos	200	(1)	–	200	(1)	–
	(200)	1	–	(200)	1	–
HK Dollars	100	9	3	100	10	7
	(100)	(9)	(3)	(100)	(10)	(7)
US Dollars	100	(1)	7	100	(1)	12
	(100)	1	(7)	(100)	1	(12)

29. Financial risk management and fair values continued

(b) Interest rate risk continued

Sensitivity analysis continued

	Company					
	2012			2011		
	Increase/(decrease) in			Increase/(decrease) in		
	Interest rates (basis points)	Profit after tax and retained profits (HK$m)	Other components of equity (HK$m)	Interest rates (basis points)	Profit after tax and retained profits (HK$m)	Other components of equity (HK$m)
HK Dollars	100	22	(1)	100	20	(3)
	(100)	(22)	1	(100)	(20)	3
US Dollars	100	1	–	100	1	(1)
	(100)	(1)	–	(100)	(1)	1

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise, assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group and which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of exposure to cash flow interest rate risk arising from the floating rate non-derivative financial instruments (which include bank borrowings and deposits) held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such changes in interest rates. The analysis has been performed on the same basis for 2011.

(c) Liquidity risk

Borrowings and cash management, including short term investment of surplus cash, are arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and compliance with loan covenants to ensure that it maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to meet its obligations and commitments in the short and longer term.

At 31 December 2012, total available borrowing facilities amounted to HK$4,841 million (2011: HK$4,901 million), of which HK$4,197 million (2011: HK$4,349 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled HK$399 million (2011: HK$270 million).

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

29. Financial risk management and fair values continued

(c) Liquidity risk continued

(HK$m)	2012 Statement of financial position carrying amount	2012 Total	2012 Within 1 year or on demand	2012 More than 1 year but less than 2 years	2012 More than 2 years but less than 5 years	2012 More than 5 years	2011 Statement of financial position carrying amount	2011 Total	2011 Within 1 year or on demand	2011 More than 1 year but less than 2 years	2011 More than 2 years but less than 5 years	2011 More than 5 years
	Group											
	Contractual undiscounted cash outflow/(inflow)						Contractual undiscounted cash outflow/(inflow)					
Trade creditors	144	144	144	–	–	–	148	148	148	–	–	–
Interest payable	7	7	7	–	–	–	4	4	4	–	–	–
Accruals for fixed assets	141	141	141	–	–	–	50	50	50	–	–	–
Tenants' deposits	331	331	153	45	113	20	324	324	177	52	80	15
Guest deposits	104	104	104	–	–	–	116	116	116	–	–	–
Golf membership deposits	107	107	–	–	–	107	107	107	–	–	–	107
Other payables	564	564	564	–	–	–	568	568	568	–	–	–
Interest-bearing borrowings	4,174	4,384	1,147	630	2,150	457	4,319	4,528	1,154	1,124	2,250	–
Interest rate swaps^ (net settled)	84	90	48	12	21	9	132	152	60	47	36	9
	5,656	5,872	2,308	687	2,284	593	5,768	5,997	2,277	1,223	2,366	131
Derivatives settled gross:												
Cross currency interest rate swaps held as cash flow hedging instruments:	4						8					
- outflow		333	333	–	–	–		344	12	332	–	–
- inflow		(329)	(329)	–	–	–		(335)	(6)	(329)	–	–
	4	4	4	–	–	–	8	9	6	3	–	–
	5,660	5,876	2,312	687	2,284	593	5,776	6,006	2,283	1,226	2,366	131
Financial guarantee issued												
- maximum amount guaranteed (note 31)	–	1	1	–	–	–	–	1	1	–	–	–

^ *In 2005, the Group entered into interest rate swaps to offset the financial effect of some interest rate swaps which were rendered ineffective, subsequent to the repayment of bank borrowings after the disposal of The Kowloon Hotel (note 29(b)). These interest rate swaps with carrying value of HK$7 million (2011: HK$18 million) have been classified as derivative financial assets and have not been included above.*

29. Financial risk management and fair values continued

(c) Liquidity risk continued

	Company											
	2012						2011					
	Contractual undiscounted cash outflow/(inflow)						Contractual undiscounted cash outflow/(inflow)					
(HK$m)	Statement of financial position carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Statement of financial position carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Other payables	21	21	21	–	–	–	21	21	21	–	–	–
Other payables to subsidiaries	50	50	50	–	–	–	25	25	25	–	–	–
Interest rate swaps (net settled)*	36	37	37	–	–	–	80	82	48	34	–	–
	107	108	108	–	–	–	126	128	94	34	–	–
Financial guarantee issued:												
– maximum amount guaranteed (note 31)	–	4,189	4,189	–	–	–	–	4,336	4,336	–	–	–

* *The Company in prior years entered into these interest rate swaps on a back-to-back basis for the benefit of its subsidiaries. Accordingly, derivative financial liabilities arising from them are fully offset by corresponding derivative financial assets (not included above) as a result of the back-to-back arrangement (see note 18(b)).*

The Company has also issued guarantees in respect of other banking facilities for its subsidiaries. Of the HK$51 million (2011: HK$58 million) guaranteed (note 31), HK$49 million (2011: HK$56 million) represented the fair value of the derivative financial instruments. The notional value of these derivative financial instruments amounted to HK$928 million (2011: HK$921 million) as at 31 December 2012.

(d) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and derivative financial instruments and is monitored on an ongoing basis.

To minimise credit exposure for bank deposits and derivative financial instruments, the Group transacts with financial institutions with good credit ratings and diversifies its exposure to various financial institutions in accordance with Group guidelines. All bank deposits are subject to a single counterparty exposure limit and a composite counterparty exposure limit. The credit ratings of the financial institutions are closely monitored throughout the lives of the transactions.

At 31 December 2012, cash at banks amounted to HK$2,185 million (2011: HK$1,984 million), of which HK$1,778 million (2011: HK$1,663 million) was placed as time deposits with financial institutions with credit ratings of no less than BBB (issued by Standard & Poor's Rating Services ("S&P")) or Baa2 (issued by Moody's Investors Services, Inc.("Moody's")) and there was no significant concentration risk to any single counterparty.

For derivative financial instruments, the credit ratings of the financial institutions were no less than A+ (S&P) or A1 (Moody's).

29. Financial risk management and fair values continued

(d) Credit risk continued

The Group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. Credit evaluations are performed for all significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit limits are set for customers based on their credit worthiness and past history. Trade receivables are normally due within 30 days from the date of billing. In respect of the Group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Other than this, as such, the Group normally does not obtain collateral from its customers. The ageing of trade debtors at 31 December 2012 is summarised in note 21.

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer rather than the industry or country in which the customers operate; therefore, it is considered that there is no concentration of credit risk as the Group has no significant exposure to individual customers given the large number of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including the derivative financial instruments, in the statement of financial position after deducting any impairment allowance. Except for the financial guarantee given by the Group as set out in note 31, the Group does not provide any other guarantee which would expose the Group or the Company to any material credit risk.

(e) Fair values (HK$m)

(i) Financial instruments carried at fair value

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

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

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

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

All derivative financial instruments carried at fair value are categorised as falling under level 2 of the fair value hierarchy.

29. Financial risk management and fair values continued

(e) Fair values (HK$m) continued

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

Financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012, except that interests in unlisted equity instruments are stated at cost less impairment losses (see note 35(d) as the fair value of the equity instruments cannot be reliably measured). Some of the loans to subsidiaries are at floating interest rates and the carrying amount of these loans approximate their fair value. Other loans to subsidiaries and advances to the jointly controlled entity are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair values. The Group has no intention of disposing these loans.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Derivative financial instruments

Forward foreign exchange contracts and foreign exchange swaps are either marked to market using listed market prices, or by discounting the contractual forward price and deducting the current spot rate. The fair values of interest rate swaps and cross currency interest rate swaps are the estimated amount that the Group or Company would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates, foreign exchange rates and the current creditworthiness of the swap counterparties.

When discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

The Group used the following discount rates for determining fair value of derivative financial instruments.

	31 December 2012	31 December 2011
Hong Kong Dollar	0.2% – 0.7%	0.2% – 0.9%
United States Dollar	0.2% – 0.4%	0.2% – 1.1%
Japanese Yen	0.1% – 0.6%	0.1% – 1.0%

30. Commitments (HK$m)

(a) Capital commitments outstanding at 31 December 2012 not provided for in the Financial Statements were as follows:

	2012			2011		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital expenditure						
The Peninsula Hong Kong	173	143	316	236	328	564
The Repulse Bay Complex	225	208	433	88	623	711
Others	53	718	771	36	507	543
	451	1,069	1,520	360	1,458	1,818
The Group's share of capital commitments of						
– a jointly controlled entity	3	19	22	–	13	13
– associates	227	160	387	195	215	410

(b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of land and buildings are (receivable)/payable as follows:

	Group			
	Receivable		Payable	
	2012	2011	2012	2011
Within one year	(914)	(812)	176	198
After one year but within five years	(1,338)	(1,203)	658	698
After five years	(103)	(63)	7,872	8,502
	(2,355)	(2,078)	8,706	9,398

30. Commitments (HK$m) continued

Following the completion of the restructuring of The Palace Hotel Co., Ltd. ("TPH") on 13 December 2002, the Group is committed to making an annual payment of a minimum of RMB8 million to China Everbright Group Limited ("CEG") up to and including 11 November 2033 (the "Annual Payment"). The Annual Payment is a deemed lease payment and is included as a payment under non-cancellable operating leases of the Group (note 32(f)).

The Peninsula Manila, the hotel owned by Manila Peninsula Hotel, Inc. ("MPHI"), is situated on a piece of land which belongs to Ayala Hotel, Inc. ("Ayala"). The hotel land lease was negotiated in 1975 by the management of MPHI at the time with Ayala in the ordinary and usual course of business based on normal commercial terms and on an arm's length basis (the "Land Lease"). The initial term of the Land Lease was from 31 December 1975 to 31 December 2001 and has been renewed until 31 December 2027 on the same terms and conditions. Pursuant to the terms and conditions, MPHI is committed to paying Ayala annual rental at 5% of its gross income on a quarterly basis.

The Peninsula New York leases a piece of land on which its hotel is situated from a third party under a 99-year lease, commencing in 1979. The present annual lease payment amounts to US$5 million and the lease payment is subject to a pre-determined inflation adjustment every 25 years.

The Group entered into a 50-year lease with respect to The Peninsula Tokyo, commencing in 2007. The minimum annual rental amounts to JPY1,181 million, which will be adjusted based on an inflation index every 10 years. In addition to the minimum annual rental, the lease is subject to contingent rental calculated based on the operating results of the hotel.

Other than above, the Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under operating leases. These leases typically run for an initial period of two to four years, with an option to renew the lease upon expiry when all items are renegotiated. None of the leases include contingent rental.

31. Contingent liabilities (HK$m)

Contingent liabilities at 31 December are analysed as follows:

	Group		Company	
	2012	2011	**2012**	2011
Guarantees issued for subsidiaries				
-in respect of bank borrowings	**–**	–	**4,188**	4,335
-in respect of other banking facilities	**–**	–	**51**	58
Other guarantees	**1**	1	**1**	1
	1	1	**4,240**	4,394

The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries, as their fair value cannot be reliably measured using observable market data and their transaction price was HK$nil.

The Directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2012 and 2011.

32. Material related party transactions

Other than the senior management remuneration and the guarantee given in respect of a loan to an officer as disclosed in note 6 and note 27 respectively, as well as loans to an associate and a jointly controlled entity as disclosed in note 14 and note 15 respectively, material related party transactions are set out as follows. Note 32(a), (b) and (g) also constitute connected transactions or continuing connected transaction as defined in chapter 14A of the Listing Rules, however they are either exempted from any reporting requirements under the Listing Rules or waiver has been granted by the Hong Kong Stock Exchange.

(a) Under a three-year tenancy agreement which commenced on 1 April 2010, a wholly owned subsidiary of the Company, HSH Management Services Limited, leased the 7th and 8th floors of St. George's Building, 2 Ice House Street, Central, Hong Kong at a market rent of HK$1,221,090 per month plus service charges of HK$140,895 per month from Kadoorie Estates Limited ("KEL"), which is the manager of the registered owner which is controlled by one of the substantial shareholders of the Company. The amount of service charges was further revised to HK$172,831 per month from 1 January 2012 to 31 December 2012. The amount of rent and service charges paid to KEL during the 2012 amounted to HK$16.7 million (2011: HK$16.5 million).

(b) The Peninsula Manila is owned by Manila Peninsula Hotel, Inc. ("MPHI" – previously a 40% associate of the Company). MPHI became a subsidiary of the Company on 3 March 2005 following the completion of an offer made to shareholders as announced on 29 October 2004. The Peninsula Manila is situated on a piece of land owned by Ayala Hotels, Inc. ("Ayala"), an associate of a director of MPHI. Ayala is entitled to receive contingent rental from MPHI based on 5% of the gross income of MPHI pursuant to a land lease contract dated 2 January 1975 with an initial term from 31 December 1975 to 31 December 2001 and as extended to 31 December 2027. The amount of rent paid to Ayala under the lease during 2012 amounted to HK$15.0 million (2011: HK$14.9 million).

(c) On 20 January 2009, a wholly owned subsidiary of the Company, Peninsula International (Lux) Limited S.à r.l. ("LUX"), invested a total of EUR44.3 million (HK$453 million) to acquire a 20% equity interest and 20% of the related shareholder's loan in Al Maha Majestic S.à r.l. ("Al Maha"), which holds a 100% equity interest in Majestic EURL ("Majestic") which in turn owns a property in Paris to be redeveloped into a Peninsula hotel. Following the completion of the acquisition, Al Maha and Majestic became associates of the Group.

During 2011, additional shareholder's loans of EUR8.3 million were advanced by LUX to Al Maha. These loans were made pro rata to the Group's shareholding in Al Maha to fund the progress payments for redevelopment costs incurred by Majestic. As at 31 December 2012, the balance of shareholder's loans amounted to EUR55.8 million (HK$572.3 million) (2011: EUR55.8 million (HK$561.8 million)). All the shareholder's loans are unsecured and bear interest at rates related to the rates published by the French tax authorities. Of the balance of EUR55.8 million, EUR42.8 million is repayable in April 2017 and the remaining balance is repayable in November 2014.

(d) Unsecured and interest free shareholder's loans amounting to US$58.8 million (HK$458 million) (2011: US$58.8 million (HK$458 million)) were granted by Peninsula International Investment Holdings Limited ("PIIHL"), a wholly owned subsidiary of the Company, to The Peninsula Shanghai (BVI) Limited ("TPS"), a 50% jointly controlled entity of the Group. The loans were provided in proportion to PIIHL's shareholding in TPS and are unsecured, interest free and have no fixed terms of repayment. TPS owns a 100% interest in Evermore Gain Limited ("EGL") which in turn holds a 100% interest in The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"), a foreign owned enterprise incorporated in the People's Republic of China, engaged in the operation of The Peninsula Shanghai Complex.

32. Material related party transactions continued

As at 31 December 2012, shareholder's loans amounting to US$58.8 million (HK$458 million) (2011: US$58.8 million (HK$458 million)) were contributed as capital of PSW through EGL.

Under various agreements with PSW, HSH Management Services Limited ("HMS"), a wholly owned subsidiary of the Company, agreed to provide PSW with technical and design advisory, consultancy, management and marketing services with fees being determined based on normal market terms. The gross amount of fees earned by HMS during 2012 amounted to approximately HK$30.9 million (2011: HK$29.4 million).

In addition, Peninsula Intellectual Property Limited ("PIPL"), a wholly owned subsidiary of the Company, has also entered into a service mark licence agreement with PSW. Total service mark licence fees earned by PIPL during 2012 amounted to HK$4.6 million (2011: HK$4.5 million).

(e) Pursuant to a tripartite entrustment loan agreement dated 12 December 2011 entered into among The Palace Hotel Co., Ltd. ("TPH"), a sino-foreign co-operative joint venture established in the People's Republic of China, which holds a 100% interest in The Peninsula Beijing, PSW and a PRC branch of an international bank (the "agent bank"), entrustment loans were on-lent by TPH to PSW via the agent bank starting from 15 December 2011. As at 31 December 2012, the balance of entrustment loans amounted to RMB250 million (HK$310.9 million) (2011: RMB400 million (HK$492.0 million)). The loans are repayable on 13 June 2013 and bear an annual interest of 4.8%, which was fixed by reference to the deposit rate published by The People's Bank of China on the day on which the draw down was made plus a margin of 200 basis points.

(f) The Company announced on 6 December 2000 that Kam Lung Investments Limited ("KLI"), a wholly owned subsidiary of the Company, entered into various agreements with the then independent third parties, including China Everbright Group Ltd. ("CEG"), to carry out the restructuring of TPH. Upon completion of the restructuring under the terms of the agreement as announced, CEG was entitled to appoint two representatives as Directors of TPH's Board consisting of nine members and to receive a priority payment of a minimum of RMB8 million up to and including 11 November 2033 ("Annual Payment"). Completion of the restructuring took place on 13 December 2002 and the Annual Payment became payable. The Annual Payment in an amount of RMB8 million (HK$9.9 million) was recorded in 2012 (2011: RMB8 million (HK$9.7 million)).

(g) On 27 November 2012, Peninsula Merchandising Limited ("PML"), a wholly owned subsidiary of the Company, entered into a non-exclusive distribution agreement with DFS Group Limited ("DFS") to supply merchandise to DFS during 28 November 2012 to 31 December 2014 on normal commercial terms. DFS is 38.75% held by an Independent Non-Executive Director of the Company indirectly and is therefore a related party of the Company. During 2012, the gross amount of merchandise sold by PML to DFS amounted to HK$3.1 million.

33. Non-adjusting post reporting period events

After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in note 10.

34. Key sources of estimation uncertainty

Notes 28(a) and 29 contain information about the assumptions and their risk factors relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment properties

Investment properties are included in the statement of financial position at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential. The assumptions adopted in the property valuation are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Estimated useful lives of properties, plant and equipment

The Group estimates the useful lives of its properties, plant and equipment based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes as well as environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of properties, plant and equipment would increase depreciation charges and decrease non-current assets.

(c) Asset impairment

The Group assesses the impairment of assets in accordance with the accounting policy set out in note 35(j). The factors that the Group considers important in identifying indications of impairment and in assessing the impairment include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant negative industry or economic trends.

(d) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

35. Significant accounting policies

(a) Basis of preparation of the Financial Statements

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

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

i) investment properties (see note 35(g)); and

ii) derivative financial instruments (see note 35(e))

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

Judgements made by management in the application of HKFRSs that may have a significant effect on the Financial Statements and major sources of estimation uncertainty are discussed in note 34.

(b) Subsidiaries and non-controlling interests

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

35. Significant accounting policies continued

(b) Subsidiaries and non-controlling interests continued

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 35(c)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 35(j)), unless the investment is classified as held for sale.

(c) Associates and jointly controlled entities

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

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

35. Significant accounting policies continued

(c) Associates and jointly controlled entities continued

An investment in an associate or a jointly controlled entity is accounted for in the consolidated Financial Statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 35(j)). Any acquisition-date excess over costs, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

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

(d) Equity instruments

The Group's long term investments which are equity in nature (other than investments in subsidiaries, associates and jointly controlled entities) that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as interests in equity instruments and recognised in the statement of financial position at cost less provision for impairment losses (see note 35(j)).

Interests in equity instruments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify as cash flow hedges.

35. Significant accounting policies continued

(e) Derivative financial instruments continued

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged transaction affects profit or loss. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(f) Properties, plant and equipment

Hotel and other properties held for own use (including buildings held for own use which are situated on leasehold land classified as held under operating leases) and plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 35(j)).

The cost of self-constructed items of properties, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 35(u)).

Depreciation is calculated to write off the carrying values of items of properties, plant and equipment, less their estimated residual values, if any, on a straight line basis over the shorter of the unexpired period of the land lease and the anticipated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

- leasehold land classified as held under finance leases is depreciated over the unexpired term of lease

• hotel buildings	75 to 150 years
• other buildings	50 years
• golf courses	100 years
• external wall finishes, windows, roofing and glazing works	10 to 40 years
• major plant and machinery	15 to 25 years
• furniture, fixtures and equipment	3 to 20 years
• operating equipment	3 to 5 years
• motor vehicles	5 to 10 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

35. Significant accounting policies continued

(f) Properties, plant and equipment continued

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

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 35(i)) to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the reporting date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 35(s).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 35(i)) and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 35(i).

(h) Investments in hotel management contracts

Payments for acquiring hotel management contracts are capitalised and are stated in the statement of financial position at cost less accumulated amortisation and impairment losses (see note 35(j)).

Amortisation of investments in hotel management contracts is charged to profit or loss on a straight-line basis over the terms of the relevant agreements.

(i) Leased assets

Classification of assets leased to the Group

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

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 35(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

35. Significant accounting policies continued

(i) Leased assets continued

Operating lease charges

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

(j) Impairment of assets

(i) Impairment of financial assets

Investments in equity securities (other than investment in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

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

- For investments in associates and jointly controlled entities recognised using the equity method (see note 35(c)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 35(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 35(j)(ii).

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

- For trade and other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. An impairment loss for trade and other receivables carried at amortised cost is calculated as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material.

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

35. Significant accounting policies continued

(j) Impairment of assets continued

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the non-financial assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

In respect of assets other than goodwill, an impairment loss is reversed to profit or loss if the recoverable amount of an asset, or the cash-generating unit to which it belongs, exceeds its carrying amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

– Interim financial reporting and impairment

  Impairment losses recognised in an interim period in respect of goodwill and unquoted equity instruments carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Land lots for sale and other inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

(l) Trade debtors and other receivables

Trade debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate less allowance for impairment of doubtful debts (see note 35(j)), except where they are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, they are stated at cost less allowance for impairment of doubtful debts (see note 35(j)).

(m) Interest-bearing borrowings

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

35. Significant accounting policies continued

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 35(r), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

Defined benefit retirement plan obligations

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

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Termination benefits

Termination benefits are recognised when and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

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

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

35. Significant accounting policies continued

(q) Income tax continued

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 35(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax balances and deferred tax balances and movements therein, are presented separately from each other and are not offset.

(r) Provisions, contingent liabilities and financial guarantees issued

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

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

Where the Group issues a financial guarantee, where material the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

35. Significant accounting policies continued

(s) Revenue recognition

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

Hotel and golf club operations

Revenue is recognised on a basis that reflects the timing, nature and value when the relevant services are provided.

Sale of land lots

Revenue is recognised upon the transfer of legal title of the land lots. Deposits and instalments received on land lots sold prior to the date of revenue recognition are included in the statement of financial position under trade and other payables.

Sale of goods and wholesaling

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

Rental income from operating leases

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

Interest income

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

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair values and are denominated in foreign currencies, are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

35. Significant accounting policies continued

(u) Borrowing costs

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

(v) Related parties

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

- i) has control or joint control over the Group;
- ii) has significant influence over the Group; or
- iii) is a member of the key management personnel of the Group or the Group's parent.

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

- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- vi) The entity is controlled or jointly controlled by a person identified in (1).
- vii) The entity identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(w) Segment reporting

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

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

36. Changes in accounting policies

The HKICPA has issued several amendments to HKFRS that are first effective for the current accounting period of the Group. Of these, "Amendments to HKFRS 7, Financial instruments: Disclosure – Transfers of financial assets" are the only development relevant to the Group's Financial Statements.

The amendments to HKFRS 7 require certain disclosures to be included in the Financial Statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous years or the current year which require disclosure in the current accounting year under the amendments.

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting year.

37. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

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

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27, Separate financial statements (2011)	1 January 2013
HKAS 28, Investments in associates and joint ventures	1 January 2013
Revised HKAS 19, Employee benefits	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, Financial instruments: Disclosures – Disclosure – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.