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Great Eagle Holdings Limited
鷹君集團有限公司

Incorporated in Bermuda with limited liability
於百慕達註冊成立之有限公司

(Stock Code: 41)

2011 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Great Eagle Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 as follows:

	Year ended 31 December		
	2011	**2010 (restated)**	
Key Financial Figures	**HK$ million**	**HK$ million**	**Change**
Revenue	**4,746.3**	**4,694.2**	**1.1%**
Statutory Profit attributable to equity holders	**4,227.2**	**4,674.4**	**- 9.6%**
Profit from core business after tax (Core profit)	**1,687.1**	**1,559.6**	**8.2%**
Profit from core business after tax (per share)	**HK$ 2.67**	**HK$ 2.50**	**6.8%**
Final Dividend (per share)	**HK$ 0.40**	**HK$ 0.38**	
Interim Dividend (per share)	**HK$ 0.21**	**HK$ 0.19**	
Total Dividend (per share)	**HK$ 0.61**	**HK$ 0.57**	

	As at the end of	
	Dec 2011	**Dec 2010 (restated)**
Net Gearing	**3%**	**7%**
Book value (per share)	**HK$ 53.4**	**HK$ 47.6**

The Group's statutory profit in 2011 reflected the full year impact of the reclassification of our investment in Champion REIT, which became an associate company in July 2010. The statutory income from our investment in Champion REIT for 2010 amounted to HK$2,826.4 million, which included two semi-annual distributions totalling HK$597.0 million and the share of results of Champion from 23 July to 31 Dec 2010 amounting to HK$2,229.4 million. The statutory income from our investment in Champion for 2011 was HK$3,356.2 million, representing the share of results of Champion only.

However, the Group's core profit, which this Management Discussion and Analysis focuses on, will be based on attributable dividend income from Champion REIT in respect of the same financial period, as dividend income is a more meaningful measure of financial return from our investment in Champion REIT. Core profit in 2010 has been restated to the same basis for comparison.

	For the year ended December		
	2011	2010 (restated)	Change
	HK$ million	HK$ million	
Core Profit			
Net Rental Income	**175.8**	**179.1**	**- 1.8 %**
Hotel Income	**1,015.4**	**659.6**	**53.9 %**
Management Fee Income from Champion	**264.3**	**262.0**	**0.9 %**
Dividend Income from Champion REIT	**574.1**	**549.6**	**4.5 %**
Income from other operations	**108.8**	**107.7**	**1.0 %**
Net Operating Income	**2,138.4**	**1,758.0**	**21.6 %**
Depreciation and amortisation	**(124.0)**	**(117.6)**	**5.5 %**
Administration expenses	**(222.6)**	**(226.1)**	**- 1.6 %**
Income from discounted debt	**-**	**220.1**	**n.a.**
Other income (including interest income)	**174.3**	**176.9**	**- 1.5 %**
Other expenses	**(20.7)**	**(6.2)**	**233.9%**
Finance costs	**(100.0)**	**(125.0)**	**- 20.0 %**
Share of results of associates	**19.5**	**29.8**	**- 34.5 %**
Share of results of a JCE	**(9.0)**	**(7.2)**	**26.0 %**
Core profit before taxation	**1,855.9**	**1,702.7**	**9.0 %**
Taxes	**(168.8)**	**(143.1)**	**18.0 %**
Core profit after tax	**1,687.1**	**1,559.6**	**8.2 %**

OVERVIEW

The Group's overall performance improved in 2011 despite increasing uncertainty across the global economies in the second half of 2011. For the year ended December 2011, core profit for the Group came to HK$1,687 million, representing an increase of HK$127.5 million or a year-on-year growth of 8.2%. If we were to exclude the impact of a one-off gain relating to the buyback of discounted debt amounting to HK$220 million booked in 2010, core profit in 2011 would have posted a stronger year-on-year growth of 25.9%.

The growth was led by the strong performance at the Hotels Division, where the key hotels were able to maintain high occupancy and raise room rates throughout 2011. Such robust performance reflected the sustained demand for rooms in our key markets, in particular Hong Kong, where tourist arrivals from Mainland China and other parts of the Asia-Pacific region stayed very strong. Profit at the Hotels division rose by HK$356 million to HK$1,015 million in 2011.

In addition to the increase in profitability at the Hotels Division, a lower level of interest expense, which dropped by HK$25 million, and an increase in dividend income from Champion REIT of HK$25 million also helped lift core profit in 2011.

HOTELS DIVISION

	Year ended 31 December		
	2011	**2010**	**Change**
	HK$ million	***HK$ million***	
Hotel Revenue			
Hong Kong	**1,481.7**	**1,260.3**	**+ 17.6%**
Europe	**519.3**	**418.0**	**+ 24.2%**
North America	**1,136.7**	**1,020.5**	**+ 11.4%**
Australia/New Zealand	**701.1**	**558.9**	**+ 25.4%**
Others	**23.2**	**11.7**	**+ 98.3%**
Total Hotel Revenue	**3,862.0**	**3,269.4**	**+ 18.1%**
Hotel EBITDA			
Hong Kong	**562.7**	**412.5**	**+ 36.4%**
Europe	**158.2**	**108.5**	**+ 45.8%**
North America	**117.2**	**36.7**	**+ 219.3%**
Australia/New Zealand	**154.1**	**90.2**	**+ 70.8%**
Others	**23.2**	**11.7**	**+ 98.3%**
Total Hotel EBITDA	**1,015.4**	**659.6**	**+ 53.9%**

Overall revenue of the Hotels division increased by 18.1% from HK$3,269.4 million in 2010 to HK$3,862 million in 2011, driven predominately by higher room rates. The performance at the majority of our overseas hotels has been adversely affected by a slowing of the world economies following the outbreak of the Euro debt crisis in the third quarter of 2011. The slowdown in business travel also had an impact on the Hong Kong hotels, but fortunately the surge in demand from Mainland leisure travelers mitigated the effect of the slowdown. Overall, EBITDA of the Hotels division rose 53.9% from HK$659.6 million in 2010 to HK$1,015.4 million in 2011. (Note: in 2010, a one-off re-branding expense was booked, which lowered the base for EBITDA comparisons.)

HONG KONG

The biggest revenue contributors to the Hotel division were the three hotels in Hong Kong, which generated HK$1,481.7 million in revenue (2010: HK$1,260.3 million). Notwithstanding the deterioration in global economic conditions since the second quarter of 2011which put a drag on international business travel, Hong Kong benefitted from rising arrivals from Mainland China and Southeast Asia countries (Mainland China accounted for approximately 30% of the guests at our Hong Kong hotels in 2011). With occupancy in the Hong Kong market hovering at very high levels throughout the year, pricing power was in the hands of hoteliers. As a result the overall room rates achieved at our three hotels rose by 20% for the year. That in turn led to a 36.4% growth in EBITDA to HK$562.7 million in 2011. The Hong Kong hotels accounted for 38.4% of revenue but 55.5% of EBITDA of the global hotel portfolio in 2011.

The Langham, Hong Kong

Thanks to its location in the prime shopping area of Tsimshatsui, coupled with high-profile promotion of the Langham brand in Mainland China, Langham Hong Kong enjoyed a high growth in tourist arrivals from Mainland China in 2011. Increased arrivals from other parts of the Asia-Pacific region also helped the hotel to maintain a high average occupancy of 81% for 2011 (2010: 80%). Therefore despite growing macro uncertainties since the third quarter, the Hotel was able to continue with its strategy of maximising room rates. As a result it delivered a 20% year-on-year growth in average room rate to HK$2,128 in 2011 (2010: HK$1,779).

Revenue from food and beverage rose 14% year-on-year in 2011, driven by higher demand for catering services and an increased number of high spending guests at its signature restaurants.

Langham Place, Hong Kong

The higher average occupancy of 87% achieved in 2011 (2010: 85%) was primarily due to an increase in both corporate and leisure travellers from Southeast Asia and Mainland China. In particular, room nights sold to arrivals from Mainland China rose by 32% year-on-year in 2011. In view of the strong demand, the Hotel was able to raise its average room rates by 20% from HK$1,487 in 2010 to HK$1,788 in 2011. Revenue Per Available Room (RevPAR) as a result increased by 24% year-on-year.

Revenue from food and beverage rose 13% year-on-year in 2011. It was supported by increased catering business from corporate functions and strong business at the Michelin rated two-star Chinese restaurant.

Eaton Smart, Hong Kong *(rebranded from Eaton in November 2010)*

In addition to increased arrivals from Mainland China, the Hotel also witnessed growth in arrivals from other Asian countries such as Singapore. Turning around from a 3 percentage-point decline in occupancy achieved in the first half of 2011, when the Hotel was focusing on increasing its market share, average occupancy actually rose by 1 percentage point to 88% for the full year in 2011. That was a reflection of the strong demand for mid-priced rooms in the second half of 2011. That in turn led a 20% increase in average room rates from HK$900 in 2010 to HK$1,079 for the full year.

Revenue from food and beverage was softer in 2011, in the face of keen competition for wedding banquet business from other restaurants in the area, though that was partially offset by better performance at the newly renovated bar and restaurant.

OVERSEAS HOTELS

EUROPE

The Langham, London

The Langham Hotel London increased its revenue by 24.2% in 2011 to HK$519.3 million on improved room rates, as compared to the relatively low base of HK$418 million in 2010, when the Hotel just completed a major renovation. This Hotel accounted for 13.4% of the Division's total revenue in 2011. Due to operating leverage, EBITDA increased 45.8% from HK$108.5 million in 2010 to HK$158.2 million in 2011.

The momentum of the full re-opening of the London hotel after refurbishment carried through to the first half of 2011 as it gained market share and built revenues. However the Euro-zone crisis began to impact business in the second half of the year. Nonetheless, the Hotel has solidified its position as one of the top hotels in Central London. With a focus on high-yield retail and Middle Eastern markets, occupancy reached 78% on an average of 378 available rooms in 2011, compared with occupancy of 75% on an average of 350 available rooms in 2010. It was also able to raise its average room rates by 7.5% from ₤252 in 2010 to ₤271 in 2011. Revenue from food and beverage also recorded a modest growth of 13% in 2011.

AUSTRALIA/NEW ZEALAND

The two hotels in Australia and New Zealand contributed HK$701.1 million in revenue or 18.2% of the Division's total revenue in 2011. Compared to the revenue of HK$558.9 million of 2010, the growth rate was 25.4%, mainly due to the strong performance of Langham Auckland, which benefitted from the Rugby World Cup.

The Langham, Melbourne

Global economic slowdown in the third quarter of 2011 adversely affected the Melbourne hotel's performance, resulting in marginal growth in total revenue for the year. Softer demand from the corporate segment was compensated by an increase in weekend leisure business, which helped to lift average room rates by 6% to A$266 in 2011(2010: A$252). During 2011, the refurbishment of 117 rooms was completed, enhancing the competitive position of the Hotel. In 2011, an occupancy of 78% on an average of 370 available rooms was achieved (2010: 80% on an average of 372 rooms). Revenue from food and beverage was stable in 2011, with increased revenue at the restaurants offsetting the sluggish demand for corporate catering services.

The Langham, Auckland

Business of the Hotel was supported by an increase in retail, meetings and conference business over the first half of 2011 under stable economic conditions. Performance of the second half was significantly lifted by the hosting of the Rugby World Cup 2011 in Auckland in September and October. While average occupancy went up only moderately to 69% in 2011 (2010: 66%), average room rate achieved jumped 30% to NZ$226 in 2011 (2010: NZ$174).

Revenue from food and beverage increased 36% year-on-year in 2011, and was driven primarily by the newly renovated restaurant and full year revenue contribution from the banquet facility, which became fully operational from March 2010.

NORTH AMERICA

The three hotels in North America produced HK$1,136.7 million or 29.4% of the Division's revenue in 2011. Compared to the $1,020.5 million in 2010, the growth rate was a modest 11.4%, due to better performance of Langham Pasadena and Delta Chelsea Toronto. As the Langham Pasadena was a turn-around situation in 2011, the EBITDA contribution of North America as a whole almost tripled from HK$36.7 million in 2010 to HK$117.2 million. Nevertheless, the North America market continued to underperform the rest of the portfolio.

The Langham, Boston

Despite a difficult operating environment in 2011, revenue managed to edge up 3% in 2011, mainly due to a stronger performance in the first half, when there was some rebound in corporate activities. However food and beverage and other revenues declined. For the year 2011, the hotel achieved average occupancy of 69% (2010: 68%) and an average room rate of US$234 (2010: US$219).

The Langham Huntington, Pasadena

Under fragile local economic conditions, the Hotel shifted its focus towards the lower-yielding retail leisure and MICE markets. As a result, average occupancy increased by 11 percentage points in 2011 to 66% (2010: 55%), albeit at the expense of average room rates, which declined by 3% to US$211 (2010: US$217). Overall, revenue from rooms increased by 15% in 2011, with a corresponding growth in food and beverage revenue. With that, the Hotel turned EBITDA positive in 2011.

Delta Chelsea Hotel, Toronto

Against the higher comparables of in 2010 associated with the G20 summit in Toronto, the Hotel achieved stable performance with the return of corporate travellers and leisure business. Average occupancy was higher at 73% for 2011, as compared to 68% for 2010. Average room rates were constrained by a continued competitive market environment and stayed at C$127 (2010: C$126). Revenue from food and beverage increased by 9% year-on-year on increased catering demand and increased business at the restaurant.

HOTEL MANAGEMENT BUSINESS

During the year we took on the management contract of the Eaton Smart New Delhi Airport Transit Hotel with 93 rooms. We have no equity stake in the project. The Division also signed up 11 new projects in 2011, 6 of which are in China with the rest in Southeast Asia. However, the management income from these projects should not be significant within the next few years.

DEVELOPMENT PROJECTS

DALIAN MIXED-USE DEVELOPMENT PROJECT

The project comprises approximately 1,200 high-end apartments and a luxury international hotel with approximately 350 rooms, generating an aggregate gross floor area of approximately 286,000 sq. metres. The project is targeted for completion in two phases from 2014/15 onward. The Group has a 50% equity interest in this project and acts as the project manager.

The progress of construction has so far been satisfactory. Excavation works at the site were completed in March 2011 and the foundation works are near completion.

Curtailed access to mortgage financing in China, together with restrictions on residential home purchases, the sales market for residential properties has slowed down considerably during 2011. Though there have been some recent expectations for looser monetary policies, as inflation moderated towards the end of 2011, there has not been any significant positive impact on the property market in Dalian. Therefore, the marketing launch for our project will be deferred till more favourable market conditions return. Our construction programme will also be adjusted accordingly. Nevertheless, the prime location and low land cost of our Dalian project should continue to make it a viable investment.

Up to the end of 2011, the Group has invested HK$633 million for its stake in the project.

HOTEL DEVELOPMENT PROJECT IN CHICAGO

Langham Hotel, Chicago

The Group acquired a 100% interest in a redevelopment project in downtown Chicago, USA at the end of 2010. The property comprises the lower 13 floors and part of the basement of an existing commercial building at 330 Wabash Avenue (formerly the IBM Building). It is being converted into a luxury 330-room hotel under the Langham brand. This property was acquired at a low point of the U.S. real estate market and is part of the Group's strategy to establish a presence in strategic gateway cities to anchor the Langham brand.

An internationally renowned designer has been retained in 2011 to design the hotel. Some early structural works have also been carried out in second half of 2011. Full scale construction will commence in the first quarter of 2012, and is scheduled for completion in 2013.

INCOME FROM CHAMPION REIT

	For the year ended December		
	2011	2010 (restated)	Change
	HK$ million	*HK$ million*	
Attributable Dividend income	**574.1**	**549.6**	**+ 4.5%**
Management fee income	**264.3**	**262.0**	**+ 0.9%**
Total income from Champion REIT	**838.4**	**811.6**	**+ 3.3%**

Commencing in financial year 2011, our core profit is based on attributable dividend income from Champion REIT in respect of the same financial period as that of the Group. On that basis, total income from Champion REIT rose 3.3% year-on-year to HK$838.4 million. A higher net property income achieved by Champion REIT led to a higher asset management fee income, which offset a lower level of agency commission income. As a result overall management fee income from Champion REIT rose 0.9% from HK$262 million in 2010 to HK$264.3 million in 2011.

The following remarks are based on Champion REIT's 2011 annual results announcement relating to the performance of the REIT's properties.

Citibank Plaza

The office leasing market in Central weakened in the second half of 2011, given rapidly deteriorating outlook for the global economy. However, as asking rents are still higher than passing rents at Citibank Plaza, passing rents improved to HK$85.15 per sq. ft. as at Dec 2011, compared with HK$84.67 per sq. ft. as at Dec 2010. Given greater flexibility in pricing strategy in the second half of 2011, occupancy improved from 81.5% at the beginning of the year to 90.4% at year end. Mainly as a result of higher average occupancy, gross revenue increased by 2.2% to HK$1,154 million in 2011. However, with higher rental commission paid, net property income only increased marginally by HK$3.4 million to HK$946 million in 2011.

Langham Place Office Tower

In contrast to slowing demand for office space from financial companies in Central, a continuing expansion of the services sector and relocations from Hong Kong Island created sustained demand for office space on the Kowloon Peninsular. Occupancy at Langham Place Office Tower was maintained at a high level of 96.8% at year-end 2011, as compared to 99.2% in 2010. Also, passing rents increased from HK$26.40 per sq. ft. to HK$27.43 per sq. ft. over the course of the year. However, with the expiry of a naming right agreement at the end of 2010, and the loss of associated income of about HK$14.1 million, gross revenue dropped by 4.9% to HK$254 million in 2011. Net property income also dropped by 5.1% to HK$205 million in 2011.

Langham Place Mall

Foot traffic at the Mall went up even further in 2011 from the already very high levels of 2010, mainly due to more visits by tourists, especially those from Mainland China. As average gross sales of tenants at the mall improved by 24% year-on-year to HK$889 per sq. ft., the vast majority of existing tenants have been willing to pay higher rents to retain their spaces. The average passing rent rate increased from HK$97.48 per sq. ft. at the end of 2010 to HK$100.77 at year-end. In addition, turnover rent increased by 56% to HK$64 million in 2011. Overall, gross revenue increased by 11% to HK$532 million. Revenue growth would have been even stronger were it not for the expiry of a naming right agreement at the end of 2010 and the loss of associated income of about HK$11.9 million. With lower rental commissions paid in 2011 and thus lower expenses incurred in 2011, net property income rose 17.5% to HK$412 million for 2011.

INVESTMENT PROPERTIES

	For the year ended December		
	2011	2010	
Gross rental income	**HK$ million**	**HK$ million**	**Change**
Great Eagle Centre	**110.5**	**105.5**	**4.7%**
Eaton Serviced Apartments	**40.1**	**34.9**	**14.8%**
United States Properties	**118.1**	**117.7**	**0.4%**
Others	**6.9**	**6.9**	**-**
	275.6	**265.0**	**4.0%**
Net rental income	**HK$ million**	**HK$ million**	**Change**
Great Eagle Centre	**96.5**	**102.2**	**- 5.6%**
Eaton Serviced Apartments	**26.5**	**23.9**	**11.2%**
United States Properties	**46.4**	**46.7**	**- 0.7%**
Others	**6.4**	**6.3**	**1.6%**
	175.8	**179.1**	**- 1.8%**

Great Eagle Centre

Unlike the Central District, which has been affected by the global slowdown of the financial and banking industries, the Wanchai North office market remained fairly stable in 2011. Occupancy remained at very high levels for buildings in the district, which has continued to be a preferred location for Mainland Chinese companies and the services sector. Also because its relatively low rents and easy access to Central, Wanchai has also been a favourite destination for tenants fleeing the high rents of Central. Occupancy for the office portion of Great Eagle Centre eased back to 96.8% at the end of 2011 from full occupancy a year ago, due to normal tenancy rollover. However rents achieved reached HK$60's to HK$70's per sq. ft. (depending on the views) as at the end of 2011, compared with high HK$50's per sq. ft. a year earlier. Average passing rent increased by 11.4% from HK$43.9 per sq. ft. at December 2010 to HK$48.9 per sq. ft. as of December 2011.

Occupancy for the retail portion increased from 93.5% as of 31st December 2010 to 99.4% as of 31st December 2011. All leases that expired in 2011 have been renewed at higher rates.

Even though passing rents at the Great Eagle Centre have increased during 2011, the occupation of incremental space by the Group has resulted in slower growth in overall rental income, as rental related thereto is eliminated on consolidation. Gross rental income for Great Eagle Centre increased 4.7% from HK$105.5 million in 2010 to HK$110.5 million in 2011. On the other hand, net rental income dropped by 5.6% from HK$102.2 million in 2010 to HK$96.5 million in 2011, due to a payment related to the relocation and upgrading of the cooling water pumping facilities.

Eaton Serviced Apartments

Compared with the positive momentum witnessed in the first half of 2011, when there were increased inflows of overseas professionals and hence demand for the serviced apartments, the deepening crisis in the Eurozone has negative impacted demand since the third quarter of 2011. Keen competition in the market, as well as slower demand in the second half led to a drop in occupancy from 78.5% in 2010 to 72.8% in 2011. Nonetheless, for the full year of 2011, achieved rental rate still rose 24.9% from HK$33.6 per sq. ft. in 2010 to HK$42 per sq. ft. in 2011. Gross rental income increased 14.8% year-on-year to HK$40.1 million in 2011, whereas net rental income increased 11.2% year-on-year to HK$26.5 million.

United States Properties

The continued pickup in activity in the technology sector is helping the office market in San Francisco to move to more solid ground and asking rental rates are also firming up in the Bay Area. However, as the average passing rental rates for our US office portfolio remained above market levels, negative rental reversion continued in 2011 as average passing rent dropped by 2.7% from US$ 36.4 per sq. ft. as at the end of 2010 to US$ 35.5 per sq. ft. as at the end of 2011. On the other hand, occupancy rose by 3 percentage-points year-on-year to 93% as at the end of December 2011. Gross rental income increased slightly from HK$117.7 million in 2010 to HK$118.1 million in 2011. However, due to higher expenses incurred, net rental income dropped from HK$46.7 million in 2010 to HK$46.4 million in 2011.

OUTLOOK

The prospects for global growth have deteriorated markedly in the past several months, as escalation of the Euro zone crisis has stalled global economic recovery and brought considerable uncertainties to the world markets. It is likely that resolution of the crisis will take time. Until then, there will be considerable volatility in the markets that we operate in. Therefore, even though the performance of our major profit contributing businesses has remained intact in recent months, we must remain vigilant and be ready to adjust our strategies accordingly.

Despite the weaker global economic outlook, we remain cautiously optimistic on the prospects for our hotels in Hong Kong in 2012, in part because of the inflow of tourist arrivals from Mainland China has so far shown little signs of slowing down. However, we are expecting the performance of our overseas hotels to be affected to varying degrees in 2012.

The contribution from Champion REIT should remain fairly stable in 2012. There might be some weakness in the income of Citibank Plaza because of softer demand in the Central office market. That however should be compensated to a certain extent by the strength of the Langham Place Mall, where positive rental reversions will lead to higher property income.

Over the past several years, we have enhanced our financial resilience through aggressive reduction of debts. With a very low gearing position, we are on a strong footing to face the challenges of the forthcoming volatility in global markets.

FINANCIAL REVIEW

DEBT

Gross debts denominated in HK dollars amounted to HK$1,316 million as of 31 December 2011. Our foreign currency gross debts as of 31 December 2011 amounted to the equivalent of HK$2,078 million, of which the equivalent of HK$496 million or 24% of our foreign currency debts was on fixed-rate basis. Net of cash and bank deposits that mature within 3 months totalling the equivalent of HK$2,452 million, our consolidated net debt outstanding as of 31 December 2011 was HK$942 million, a decrease of HK$989 million from that of HK$1,931 million as of 31 December 2010.

Because of the persistent low interest rate environment and in order to enhance return to shareholders, as a normal treasury function the Group has been prudently investing in quality short-term bonds which are intended to be held to maturity, and principal protected notes with reputable banks and financial institutions as counter-parties. As at 31 December 2011, investment in these bonds and notes amounted to HK$174 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK$768 million.

Equity Attributable to Shareholders, based on professional valuation of the Group’s investment properties as of 31 December 2011 and the depreciated costs of the Group’s hotel properties, amounted to HK$33,589 million as of 31 December 2011. The net assets value at 31 December 2011 represented an increase of HK$3,944 million compared to the restated value of HK$29,645 million as of 31 December 2010, mainly attributable to the profit for the year including share of results of Champion REIT. Based on the consolidated net debt of HK$942 million, the resulting gearing ratio at 31 December 2011 was 3%. Should the investment in bonds and notes mentioned above be recognized in the calculation, the gearing ratio would be reduced to 2%.

FINANCE COST

During the year, market interest rate had remained at an extremely low level. Coupled with the high interest income from the Group’s investment in Champion REIT convertible bonds, the Group had earned a net interest income of HK$91 million for the year. Consequently, there was no applicable interest cover ratio as at the balance sheet dates.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2011, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$4,315 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage and the major portion of the loan due within one year lie in the latter part of 2012. The following is a profile of the maturity of our outstanding debts as of 31 December 2011:

Within 1 year	76.2%
1-2 years	7.7%
3-5 years	16.1%

PLEDGE OF ASSETS

At 31 December 2011, properties of the Group with a total carrying value of approximately HK$10,030 million (31 December 2010: HK$9,615 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK$651 million (31 December 2010: HK$74 million) of which approximately HK$71 million (31 December 2010: HK$70 million) was contracted for.

As at 31 December 2011, the Group had outstanding financial commitment of RMB26.5 million (equivalent to HK$32.5 million) (31 December 2010: HK$152 million) for capital injection to a jointly controlled entity, and commitment of RMB132 million (equivalent to HK$163 million) (31 December 2010: HK$275 million) for construction cost to complete a hotel property owned by an associate.

In addition to the above, as at 31 December 2011 the Group had provided several corporate guarantee and a charge over its interest in the share capital of an associate to a bank in respect of its share of banking facility utilised by the associate of US$13 million (equivalent to HK$98 million) (31 December 2010: HK$152 million).

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31 December 2011.

CORPORATE SOCIAL RESPONSIBILITY

Our commitment to corporate social responsibility (CSR) stems from a core belief that our business will prosper as the community and environment around us flourish. High levels of CSR will create long-term shareholder and customer value. Therefore, we pursue this business approach by embracing opportunities and managing risks derived from economic, environmental and social developments, and making informed decisions by engaging with our stakeholders. Our high standard of performance in CSR is reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index this year.

To enable our Group to take responsibility for CSR impacts of our decisions and activities and to integrate CSR throughout the organisation, we established the CSR Steering Committee in 2011. The Committee comprises of member from Board of Directors and management from key areas of the Group, serving as a high profile working group which is responsible for setting CSR policy and strategy. The Committee has built a Group CSR Policy which provides a robust framework and direction to implement CSR and embed CSR into our organisational culture.

In addition to create a fair workspace, we view health and safety beyond a moral and legal responsibility. We are committed to ensuring that risks to employees' health and safety at work are properly controlled. To meet this end, our Property Management Division has established a health and safety management system and obtained OHSAS 18001 Occupational Health and Safety Management System certification. Our Hotel Division has also formed a Safety Committee which comprises representatives from various departments. The Safety Committees meet monthly to promote and reinforce safety practices throughout the hotels.

We are committed to ensuring that all significant environmental impacts of our operations on the environment are identified and appropriately managed. Our Property Development Division's efforts in managing the impacts have been recognised by being accredited with ISO 14001 Environmental Management System Standard, which provides a management framework to minimise our environmental impacts and continually improve the performance. Langham Place and Citibank Plaza, which are managed by the Division, have also received the Green Management

Award (Corporation), Silver and Bronze, respectively. Our concern for the environment extends into our Hotel Division. The EC3 Global EarthCheck Programme – an independent auditing and monitoring service for the travel and tourism industry – has awarded The Langham, Auckland "Certified Gold" status and other seven hotels "Certified Silver" status. As a Patron Gold Member of the Hong Kong Green Building Council, we have long committed to keeping the environmental footprint of our owned and/or managed properties to a minimum, both during the initial design and construction phases, as well as throughout the life of the building.

In 2011, the Group decided to focus our community involvement and development activities on three thematic areas: *Arts, Children, and Environmental Protection*. We believe that by strategically designing a few deserving projects in those three areas and focusing all of our philanthropic resources – financial, volunteer, and in-kind – on such projects, we can engender greater social impact.

While we are making significant progress to integrate CSR into our business, much remains to be done. Other than ensuring the existing CSR initiatives are implemented continuously, we aim to engage more closely with our key stakeholders so as to obtain their feedback on our CSR policy and strategy.

EMPLOYEES

During the year, the number of employees of the Group increased approximately 3.9% to 4,860. The change was mainly attributable to the increase in staff in our hotel operations. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged during the year, with particular emphasis on performance management. To further support the engagement of employees, our Hotel Division applies the Total Quality Management (TQM) technology to develop a global management system by involving every employee in our continuous improvement culture. A set of Quality Standard on 4 key focuses (leadership, guest, colleague and innovation) has been launched in 2011, supported with management briefing and training.

In 2011, the Group has introduced staff training and development plan which included management development programme for managing talents through competency initiatives; team building workshop for further establishing synergy and building collaborative working relationship. The aim is to strengthen leadership competencies and accelerate team effectiveness. The Group has also facilitated external and in-house designed training programmes in management, soft skill as well as technical skills training. A senior management workshop on "Innovation" was to hammer the Hotel Division's key strategy. The group also introduced an internal awareness program on "Innovation" to engage all colleagues.

FINAL DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK40 cents per share for the year ended 31 December 2011 (2010: HK38 cents per share) to the Shareholders subject to the approval of the Shareholders at the forthcoming 2012 Annual General Meeting (the "2012 AGM").

Taken together with the interim dividend of HK21 cents per share paid on 14 October 2011, this will make a total dividend of HK61 cents per share for the full year in 2011 (2010 total dividend: HK57 cents per share, comprising an interim dividend of HK19 cents and a final dividend of HK38 cents).

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash ("Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed final dividend at the 2012 AGM; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to the Shareholders together with the form of election for scrip dividend on or about 25 May 2012. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be despatched to the Shareholders on 27 June 2012.

CLOSURE OF REGISTERS OF MEMBERS

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

(i) For ascertaining the Shareholders' entitlement to attend and vote at the 2012 AGM

From Monday, 7 May 2012 to Thursday, 10 May 2012, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2012 AGM. In order to be eligible to attend and vote at the 2012 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch Share Registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrars") of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 May 2012.

(ii) For ascertaining the Shareholders' entitlement to the 2011 final dividend

From Thursday, 17 May 2012 to Tuesday, 22 May 2012, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to the 2011 final dividend. In order to qualify for the 2011 final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrars for registration no later than 4:30 p.m. on Wednesday, 16 May 2012.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2012 AGM of the Company will be held on Thursday, 10 May 2012, for the purpose of, among other things, approving the payment of a final dividend of HK40 cents per share. The notice of 2012 AGM together with the 2011 Annual Report and all other relevant documents (the "Documents") will be despatched to the Shareholders on or about 2 April 2012. The Documents will also be published on the Company's website at www.greateagle.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions and, where appropriate, adopted some of the recommended best practices as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year under review, except for the following deviations in respect of which remedial steps for compliance have been taken or considered reasons are given in the following paragraphs.

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

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

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

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

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

Under the existing Bye-laws of the Company, the executive chairman and managing director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, directors who hold the offices of either the executive chairman or the managing director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the executive chairman and managing director of the Company to retirement by rotation. For the information of the Shareholders, the biographical details of Dr. Lo Ka Shui, the executive chairman and managing director of the Company, will be set out in a circular to the Shareholders in relation to, among other things, the re-election of retiring directors to be issued on or about 2 April 2012 in accordance with Rule 13.51(2) of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company ("Code of Conduct for Securities Transactions") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2011, the Company repurchased a total of 3,110,000 ordinary shares of the Company at an aggregate purchase price of HK$49,208,800 on the Stock Exchange, representing 0.4973% of the issued share capital of the Company as at the date of the passing of the resolution under which the general mandate to repurchase shares was granted. Among the repurchased shares, 2,807,000 shares were cancelled before the year ended 31 December 2011. 303,000 repurchased shares were left uncancelled as at 31 December 2011. The number of issued shares as of 31 December 2011 was 629,067,272. Particulars of the shares repurchased are as follow:

Month of repurchase	**No. of ordinary shares repurchased**	**Purchase price paid per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
October 2011	1,157,000	HK$17.00	HK$14.90	HK$18,369,420
November 2011	1,185,000	HK$17.00	HK$15.06	HK$19,101,800
December 2011	768,000	HK$15.86	HK$14.78	HK$11,737,580
Total	**3,110,000**			**HK$49,208,800**

After the year end and up to 27 February 2012, an additional 277,000 shares were repurchased at an aggregate consideration of HK$4,381,240. The number of issued shares as at the date of this announcement is 628,487,272 shares.

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

NEW SHARES ISSUED

As at 31 December 2011, the total number of issued shares of the Company was 629,067,272. A total of 9,064,898 new shares were issued during the year.

On 17 June 2011, 6,180,898 new shares were issued at the price of HK$25.56 per share pursuant to the Scrip Dividend Arrangement (the "Arrangement") in respect of the 2010 Final Dividend. Details of the Arrangement were set out in the announcement published by the Company on 17 May 2011 and the circular to the Shareholders dated 17 May 2011 respectively.

During the year ended 31 December 2011, 2,884,000 new shares were issued pursuant to exercise of share options under the Share Option Scheme of the Company by directors and employees of the Company or its subsidiaries.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The final results of Company for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five Executive Directors, namely Dr. LO Ka Shui (Chairman and Managing Director), Mr. LO Kai Shui (Deputy Managing Director), Mr. LO Hong Sui, Antony, Madam LAW Wai Duen and Mr. KAN Tak Kwong (General Manager); three Non-executive Directors, namely Madam LO TO Lee Kwan, Mr. LO Hong Sui, Vincent and Dr. LO Ying Sui; and four Independent Non-executive Directors, namely Mr. CHENG Hoi Chuen, Vincent, Professor WONG Yue Chim, Richard, Mrs. LEE Pui Ling, Angelina and Mr. ZHU Qi.

By Order of the Board
Great Eagle Holdings Limited
LO Ka Shui
Chairman and Managing Director

Hong Kong, 27 February 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000 (restated)
Revenue	4	**4,746,336**	4,694,155
Cost of goods and services		**(3,182,040)**	(2,888,798)
Operating profit before depreciation		**1,564,296**	1,805,357
Depreciation		**(362,081)**	(349,290)
Operating profit		**1,202,215**	1,456,067
Other income	6	**197,756**	197,922
Fair value changes on investment properties		**678,688**	571,775
Fair value changes on derivative financial instruments		**(614,856)**	458,437
Fair value changes on financial assets designated at fair value through profit or loss		**-**	16,039
Income from discounted payoff of borrowings		**-**	220,072
Administrative expenses		**(222,569)**	(226,149)
Impairment loss recognised in respect of a hotel property		**(90,867)**	-
Other expenses		**(20,694)**	(6,187)
Finance costs	7	**(100,027)**	(125,011)
Share of results of associates		**3,375,756**	2,259,180
Share of results of a jointly controlled entity		**(9,032)**	(7,167)
Profit before tax		**4,396,370**	4,814,978
Income taxes	8	**(169,167)**	(140,622)
Profit for the year attributable to owners of the Company	9	**4,227,203**	4,674,356
Earnings per share:			
Basic	11	**HK$6.70**	HK$7.51
Diluted	11	**HK$6.57**	HK$7.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 **HK$'000**	2010 HK$'000 (restated)
Profit for the year attributable to owners of the Company	**4,227,203**	4,674,356
Other comprehensive (expense) income:		
Fair value (losses) gain on available-for-sale investments	**(19,280)**	1,080,015
Exchange differences arising on translation of foreign operations	**(19,782)**	81,186
Surplus on revaluation of an owner occupied property upon change of use to investment property	**-**	23,109
Share of other comprehensive (expense) income of associates	**(66,197)**	66,344
Share of other comprehensive income of a jointly controlled entity	**24,721**	12,356
	(80,538)	1,263,010
Total comprehensive income for the year attributable to owners of the Company	**4,146,665**	5,937,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**10,140,331**	10,409,396	9,875,148
Investment properties		**4,879,376**	4,192,297	3,651,711
Interests in associates		**16,460,751**	13,377,171	71,543
Deposit for acquisition of leasehold land		**-**	-	591,000
Interest in a jointly controlled entity		**653,490**	525,301	-
Available-for-sale investments		**92,775**	103,660	8,083,050
Investment in convertible bonds		**2,834,389**	3,309,997	2,721,509
Notes receivable		**77,697**	174,047	223,413
Restricted cash		**12,295**	-	61,521
Financial assets designated at fair value through profit or loss		**-**	-	77,551
		35,151,104	32,091,869	25,356,446
Current assets				
Inventories		**95,240**	77,398	65,774
Debtors, deposits and prepayments	12	**423,417**	395,749	339,765
Financial assets designated at fair value through profit or loss		**-**	77,740	340,634
Notes receivable		**96,251**	55,819	204,118
Bank balances and cash		**2,439,288**	1,553,444	1,859,563
		3,054,196	2,160,150	2,809,854
Current liabilities				
Creditors, deposits and accruals	13	**817,682**	755,359	635,920
Derivative financial instruments		**903**	362	591
Provision for taxation		**70,833**	87,701	66,145
Borrowings due within one year		**2,585,306**	798,318	467,040
Unsecured bank overdrafts		**-**	-	9,331
		3,474,724	1,641,740	1,179,027
Net current (liabilities) assets		**(420,528)**	518,410	1,630,827
Total assets less current liabilities		**34,730,576**	32,610,279	26,987,273
Non-current liabilities				
Derivative financial instruments		**131**	-	-
Borrowings due after one year		**808,862**	2,685,950	4,037,328
Deferred taxation		**332,461**	279,199	247,211
		1,141,454	2,965,149	4,284,539
NET ASSETS		**33,589,122**	29,645,130	22,702,734
Equity				
Share capital		**314,533**	311,404	310,913
Treasury shares		**(4,583)**	-	-
Share premium and reserves		**33,279,172**	29,333,726	22,391,821
TOTAL EQUITY		**33,589,122**	29,645,130	22,702,734

1. GENERAL

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/ CHANGES IN ACCOUNTING POLICIES

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification to Rights Issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years.

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date)

The Group has applied amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/ CHANGES IN ACCOUNTING POLICIES** - continued

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date) - continued

As a result, the Group's investment properties and those of its associates that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The application of the amendments has resulted in the Group's deferred tax liabilities being decreased by HK$385,630,000 and HK$480,476,000 as at 1 January 2010 and 31 December 2010, respectively, and the Group's interests in associates being increased by HK$400,297,000 as at 31 December 2010, with the corresponding adjustment being recognised in retained profits. In addition, the application has resulted in the Group's income tax expense for the year ended 31 December 2010 being decreased by HK$94,846,000, share of results of associates being increased by HK$400,297,000 and profit for the year ended 31 December 2010 being increased by HK$495,143,000.

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in the Group's income tax expense for the year ended 31 December 2011 being reduced by HK$96,860,000, share of results of associates for the year ended 31 December 2011 being increased by HK$395,287,000 and profit for the year ended 31 December 2011 being increased by HK$492,147,000.

Summary of the effect of the changes in accounting policies

The effect of the above change in accounting policy described above on the results for the current and prior period by line items presented in the consolidated income statement is as follows:

	2011	2010
	HK$'000	HK$'000
Decrease in income tax expense of the Group	**96,860**	94,846
Increase in share of results of associates	**395,287**	400,297
Increase in profit for the year	**492,147**	495,143

	2011	2010
	HK$	HK$
Impact on basic earnings per share		
Basic earnings per share before adjustment	**5.92**	6.71
Adjustment in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	**0.78**	0.80
Reported/restated basic earnings per share	**6.70**	7.51

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/ CHANGES IN ACCOUNTING POLICIES** - continued

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date) - continued

Summary of the effect of the changes in accounting policies - continued

	2011	2010
	HK$	HK$
Impact on diluted earnings per share		
Diluted earnings per share before adjustment	**5.79**	6.69
Adjustment in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	**0.77**	0.79
Adjustment in relation to application of amendments to HKAS 12 in respect of share of profit of an associate based on dilution of its earnings per share	**0.01**	-
Reported/restated diluted earnings per share	**6.57**	7.48

The effect of the above change in accounting policy on the financial positions of the Group as at 31 December 2010 and 1 January 2010 are as follows:

	31 December 2010 (originally stated)	Adjustments	31 December 2010 (restated)
	HK$'000	HK$'000	HK$'000
Interests in associates	12,976,874	400,297	13,377,171
Deferred taxation	(759,675)	480,476	(279,199)
Total effects on net assets	12,217,199	880,773	13,097,972
Retained profits, total effects on equity	24,024,165	880,773	24,904,938

	1 January 2010 (originally stated)	Adjustments	1 January 2010 (restated)
	HK$'000	HK$'000	HK$'000
Total effects on net assets			
Deferred taxation	(632,841)	385,630	(247,211)
Retained profits, total effects on equity	20,181,221	385,630	20,566,851

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/ CHANGES IN ACCOUNTING POLICIES** - continued

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

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/ CHANGES IN ACCOUNTING POLICIES** - continued

HKFRS 9 "Financial Instruments" - continued

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's investment in convertible bonds, of which its straight debt receivable is measured at amortised cost at the end of the reporting period in accordance with HKAS 39. Regarding the Group's investment in convertible bonds and other financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

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

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

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

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

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

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

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. In addition, the Directors are in the process of assessing the impact of the application of these standards on the results and financial position of the Group particularly in respect of its interest in a principal associate.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/ CHANGES IN ACCOUNTING POLICIES** - continued

HKFRS 13 "Fair Value Measurement"

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2010.

4. **REVENUE**

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

	2011 **HK$'000**	2010 HK$'000
Property rental income	**275,562**	264,975
Building management service income	**19,713**	19,158
Hotel income	**3,862,001**	3,269,365
Sales of goods	**124,338**	103,098
Dividend income	**3,043**	599,495
Management service income earned as a manager of real estate investment trust	**187,474**	181,042
Others	**274,205**	257,022
	4,746,336	4,694,155

5. SEGMENT INFORMATION

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

Property investment	-	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Hotel operation	-	hotels accommodation, food and banquet operations.
Income from Champion REIT	-	management service income for acting as the manager of Champion Real Estate Investment Trust ("Champion REIT"), dividend income from Champion REIT up to 23 July 2010 and provision of property management service to Champion REIT.
Other operations	-	sales of building materials, restaurant operation, fitness centre operation, investment in securities, provision of property management, maintenance and property agency services.

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

5. **SEGMENT INFORMATION** - continued

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

2011

Segment revenue and results

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

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

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

5. **SEGMENT INFORMATION** - continued

2010

Segment revenue and results

	Property investment HK$000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000 (restated)
REVENUE						
External revenue	284,133	3,269,365	858,920	281,737	-	4,694,155
Inter-segment revenue	20,980	-	-	11,501	(32,481)	-
Total	305,113	3,269,365	858,920	293,238	(32,481)	4,694,155

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

	Property investment	Hotel operation	Income from Champion REIT	Other operations	Eliminations	Consolidated
RESULTS						
Segment results	172,708	657,589	830,161	244,620		1,905,078
Other corporate income						223,044
Centralised corporate expenses						(137,107)
Depreciation						(349,290)
Fair value changes on investment properties						571,775
Fair value changes on derivative financial instruments						458,437
Fair value changes on financial assets designated at fair value through profit or loss						16,039
Finance costs						(125,011)
Share of results of associates						2,259,180
Share of results of a jointly controlled entity						(7,167)
Profit before tax						4,814,978
Income taxes						(140,622)
Profit for the year attributable to owners of the Company						4,674,356

6. **OTHER INCOME**

	2011 HK$'000	2010 HK$'000
Interest income on:		
Bank deposits	**23,065**	7,940
Investment in convertible bonds	**161,976**	153,680
Notes receivable	**6,270**	15,570
	191,311	177,190
Net exchange gain	**-**	14,003
Gain on disposal of property, plant and equipment	**16**	-
Sundry income	**6,429**	6,729
	197,756	197,922

7. **FINANCE COSTS**

	2011	2010
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**57,003**	70,409
Interest on other loans wholly repayable within five years	**34,980**	41,107
Other borrowing costs	**8,044**	13,495
	100,027	125,011

8. **INCOME TAXES**

	2011	2010
	HK$'000	HK$'000
		(restated)
Current tax:		
Current year:		
Hong Kong Profits Tax	**78,266**	89,308
Other jurisdictions	**22,294**	26,051
	100,560	115,359
Under(over)provision in prior years:		
Hong Kong Profits Tax	**10,239**	308
Other jurisdictions	**1,689**	(492)
	11,928	(184)
	112,488	115,175
Deferred tax:		
Current year	**48,561**	27,893
Under(over)provision in prior years	**8,118**	(2,446)
	56,679	25,447
	169,167	140,622

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year attributable to owners of the Company has been arrived at after charging:		
Staff costs (including directors' emoluments)	**1,611,125**	1,413,866
Share based payments (including directors' emoluments)	**17,661**	13,332
	1,628,786	1,427,198
Depreciation	**362,081**	349,290
Auditor's remuneration	**6,122**	8,163
Allowance for doubtful debts (included in other expenses)	**2,343**	549
Fitting-out works of hotel building written off (included in other expenses)	**-**	4,094
Operating lease payments on rented premises	**28,505**	47,886
Cost of inventories recognised as an expense	**496,463**	422,834
Share of tax of associates (included in the share of result of associates)	**99,402**	33,147
Loss on disposal of property, plant and equipment	**-**	1,544
Net exchange loss	**18,352**	-
and after crediting:		
Gain on disposal of property, plant and equipment	**16**	-
Net exchange gain	**-**	14,003
Dividend income from listed investments:		
- Champion REIT	**-**	596,955
- Others	**3,043**	2,540
	3,043	599,495
Rental income from investment properties less related outgoings of HK$99,795,000 (2010: HK$85,926,000)	**175,767**	179,049

10. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends paid:		
- Final dividend of HK38 cents in respect of the financial year ended 31 December 2010 (2010: HK35 cents in respect of the financial year ended 31 December 2009) per ordinary share	**237,625**	217,938
- Interim dividend of HK21 cents in respect of the financial year ended 31 December 2011 (2010: HK19 cents in respect of the financial year ended 31 December 2010) per ordinary share	**132,690**	118,331
	370,315	336,269

On 17 June 2011, a final dividend of HK38 cents (2010: final dividend of HK35 cents) per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2010. The scrip dividend alternatives were accepted by the shareholders as follows:

	2011	2010
	HK$'000	HK$'000
Dividends		
Cash	**79,641**	215,687
Share alternative	**157,984**	2,251
	237,625	217,938

	2011	2010
	HK$'000	HK$'000
Dividends proposed:		
- Proposed final dividend of HK40 cents in respect of the financial year ended 31 December 2011 (2010: HK38 cents in respect of the financial year ended 31 December 2010) per ordinary share	251,627	236,668

The proposed final dividend in respect of the financial year ended 31 December 2011 is subject to approval by the shareholders in the forthcoming annual general meeting.

11. **EARNINGS PER SHARE**

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

	2011 HK$'000	2010 HK$'000 (restated)
Earnings		
Earnings for the purpose of basic earnings per share	**4,227,203**	4,674,356
Effect of dilutive potential shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share (note)	**(79,018)**	(4,113)
Earnings for the purpose of diluted earnings per share	**4,148,185**	4,670,243
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**630,856,951**	622,627,026
Effect of dilutive potential shares:		
Share options	**914,329**	1,665,431
Weighted average number of shares for the purpose of diluted earnings per share	**631,771,280**	624,292,457

Note:

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

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	HK$'000
Trade debtors, net of allowance for doubtful debts	**293,327**	267,542
Deferred rent receivables	**23,242**	21,410
Other receivables	**45,829**	45,280
Deposits and prepayments	**61,019**	61,517
	423,417	395,749

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

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

	2011	2010
	HK$'000	HK$'000
0 - 3 months	**242,336**	241,330
3 - 6 months	**9,158**	11,270
Over 6 months	**41,833**	14,942
	293,327	267,542

13. CREDITORS, DEPOSITS AND ACCRUALS

	2011	2010
	HK$'000	HK$'000
Trade creditors	**152,455**	164,558
Deposits received	**212,346**	198,411
Construction fee payable and retention money payable	**3,194**	3,263
Accruals, interest payable and other payables	**449,687**	389,127
	817,682	755,359

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

	2011	2010
	HK$'000	HK$'000
0 - 3 months	**142,785**	156,926
3 - 6 months	**2,758**	2,257
Over 6 months	**6,912**	5,375
	152,455	164,558