



Great Eagle Holdings Limited
鷹君集團有限公司

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

Interim Report 2008
2008 中期報告



CONTENTS

CORPORATE INFORMATION	2
HIGHLIGHTS	3
MANAGEMENT DISCUSSION AND ANALYSIS	
OVERVIEW	4
BUSINESS REVIEW	5
FINANCIAL REVIEW	9
OUTLOOK	10
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	11
INTERIM FINANCIAL INFORMATION	
CONDENSED CONSOLIDATED INCOME STATEMENT	12
CONDENSED CONSOLIDATED BALANCE SHEET	13
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	15
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	16
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	18
DISCLOSURE OF INTERESTS	34
OTHER INFORMATION	38
DIVIDEND NOTICE	40

CORPORATE INFORMATION

DIRECTORS

LO Ka Shui (*Chairman and Managing Director*)

LO Kai Shui (*Deputy Managing Director*)

LO TO Lee Kwan

CHENG Hoi Chuen, Vincent*

WONG Yue Chim, Richard*

LEE Pui Ling, Angelina*

LO Hong Sui, Antony

LAW Wai Duen

LO Hong Sui, Vincent

LO Ying Sui, Archie

KAN Tak Kwong

* Independent Non-executive Directors

AUDIT COMMITTEE

CHENG Hoi Chuen, Vincent (*Chairman*)

WONG Yue Chim, Richard

LEE Pui Ling, Angelina

REMUNERATION COMMITTEE

LEE Pui Ling, Angelina (*Chairman*)

CHENG Hoi Chuen, Vincent

WONG Yue Chim, Richard

NOMINATION COMMITTEE

WONG Yue Chim, Richard (*Chairman*)

CHENG Hoi Chuen, Vincent

LEE Pui Ling, Angelina

COMPANY SECRETARY

WONG Mei Ling, Marina

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Citibank, N.A.

LEGAL ADVISORS

Mayer Brown JSM

Clifford Chance

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08, Bermuda

HONG KONG BRANCH REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Tel: (852) 2862 8628

Fax: (852) 2529 6087

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

PRINCIPAL OFFICE

33rd Floor, Great Eagle Centre

23 Harbour Road

Wanchai, Hong Kong

Tel: (852) 2827 3668

Fax: (852) 2827 5799

WEBSITE

www.GreatEagle.com.hk

STOCK CODE

41

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Profit from core business after tax increased by 21.09% year-on-year to HK\$512.1 million.
- Interim dividend per share increased by 33.33% to HK20 cents, and a special interim dividend of HK\$2.7 per share.
- Net debt-free position.

KEY DEVELOPMENTS

- Injected Langham Place Office Tower and Mall into the Champion REIT at an agreed value of HK\$12,500 million in June 2008 and raised net cash proceeds of HK\$3,100 million. As of 30 June 2008, the Group owned 48.7% of the units of the REIT.
- Completed the acquisition of a 380-room 5-star hotel in Pasadena, California in January 2008.
- Secured two more hotel management contracts, bringing the total to eight.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Overall, the Group delivered a robust core income growth of 21.09% year-on-year in the first half of 2008. The growth was mainly supported by continuingly favourable conditions in the Hong Kong commercial property market. Underlying core income for the first six months of 2008 amounted to HK\$512.1 million, and core income would have been much higher, if we exclude an one-off charge of HK\$106.9 million relating to fixed assets written off at Langham London. The renovation will help to position Langham London as one of the best hotels in London. Also, in conjunction with the cash proceeds raised from the successful injection of the Langham Office Tower and Mall into the Champion REIT, there will be an additional special interim dividend of HK\$2.7 per share to be distributed to shareholders, on top of the already increased interim dividend of HK20 cents per share.

Due to a shortage of new supply of Grade-A office space, especially in the Central Business District, and sustained demand from the fund management and legal professions, vacancies in prime office properties hit an all-time low of less than 2%. Rent rates in Central grew another 20% in the first six months of 2008. There was also continued growth in retail sales in Hong Kong in the first half. The Langham Place Mall was beginning to see increasing positive impact of its tenant quality upgrade programme. Footfall at the Mall continued to increase at a highly satisfactory pace, thereby leading to general improvement in the sales performance of its tenants, which in turn should lead to higher rental income in the future.

In the first half of 2008, the performance of the Group's hotels was adversely affected by the slowdown in the world economies. While the hotels in Hong Kong managed to hold steady, softened demand in other markets led to a decline in the overall performance of the overseas hotels. After incorporating the impact of the renovation works at Langham London, as well as the rebranding costs associated with the newly acquired Pasadena hotel, net operating profit of the hotel portfolio declined by 18% in the first half of 2008.

The injection of the Langham Place Office Tower and Mall into the Champion REIT was successfully completed on 3 June 2008 at an agreed value of HK\$12,500 million. That was in line with the Group's stated aim to build the Champion REIT into a premier real estate investment trust in Asia. The Group received net cash proceeds of approximately HK\$3,100 million from the transaction, thereby further strengthening its balance sheet as a result.

The transaction not only reduced our finance charges going forward, but the lower debt level also gives us more flexibility in increasing our dividend payout or to capitalize on new investment opportunities, especially when asset prices are weakening in certain parts of the region. The Directors have declared a special interim dividend of HK\$2.7 per share. Immediately after the special interim dividend and the interim dividend of HK20 cents per share, which amounts to a total sum of approximately HK\$1,768 million, the Group will retain a cash holding of approximately HK\$4,027 million.

With regard to capitalizing on new investment opportunities, the Group is envisaging more investment opportunities in Mainland China, where we have been maintaining a conservative and prudent approach. The Central Government's intensive macroeconomic control measures have effectively cooled down the property sector, and land prices have started to soften. Under highly restrictive domestic liquidity conditions, there should be broader and better investment opportunities, offering an even more favourable risk return profile for the Group. We however do recognize that it will take a great deal of patience and time to bring in investments that are compatible with the Group's quality and return goals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PROPERTY INVESTMENT

Hong Kong

Reflecting the rising rents and occupancy rates in the Hong Kong office market, gross rental income of our Hong Kong properties rose 11.4% from HK\$259.8 million in the first six months of 2007 to HK\$289.5 million in 2008 (which included just over 5 months' of income from the Langham Place properties). Net rental income grew by 16.1% year-on-year from HK\$207.3 million to HK\$240.6 million because of improved expense ratios associated with higher occupancy.

Great Eagle Centre

Gross rental income increased by 19.1% year-on-year from HK\$38.7 million to HK\$46.1 million, driven primarily on positive rental reversion, as achieved rental rates continued to surpass those of the expiring leases during the first half of 2008. Net rental income rose by 27.2% year-on-year from HK\$35.4 million to HK\$45 million.

As at mid-year 2008, occupancy rate at the Great Eagle Centre stood at 91.2%, which was lower than that of 99.3% at year-end 2007, representing the temporary

downtime in between tenancies. The available shops in Great Eagle Centre remained fully let during the period under review.

Langham Place Mall

While the Langham Place Office Tower and Mall had been injected into the Champion REIT in early June 2008, these properties contributed a little more than five months of operating income to the Group in the first half.

The completion of the trade-mix realignment and upgrade initiatives in late 2007 have helped fuel higher footfall and tenants sales in the first half of 2008. According to the 2008 interim report of the Champion REIT, occupancy at the Mall stood at 98% as of 30 June 2008; footfall at the Mall increased by 29% year-on-year, while the tenants' average monthly gross sales per square foot rose by 18%.

While the Mall had only five months of income contribution in the period under review, its gross rental income of HK\$153.8 million was still 2.3% higher than that of HK\$150.4 million for the six months in 2007. Net of operating expenses, which were mainly related to leasing up costs, net rental income from the Mall was HK\$121.7 million for the five-month period in 2008, as compared to HK\$126.9 million for the six months in 2007.

RENTAL INCOME FROM HONG KONG PROPERTIES

Gross Rental Income Six Months Ended 30 June

	2008 HK\$'m	2007 HK\$'m
Great Eagle Centre	46.1	38.7
Langham Place*		
Commercial	153.8	150.4
Office	64.3	49.4
Eaton Houses	21.5	18.0
Others	3.8	3.3
	289.5	259.8

* The rental income of Langham Place was no longer attributed to the Group after the completion of the disposal of the Group's interests in Langham Place to the Champion REIT on 3 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Langham Place Office Tower

Higher renewal rental and occupancy rate drove gross rental income for the Office Tower. Occupancy rate stood at 99.4% as at the end of June 2008, and 3.3 percentage points higher than that of 96.1% as at June 2007. The low vacancy rate and demand for quality office space in the Mongkok area has led to higher achieved rents. Gross rental income came to HK\$64.3 million over the five-month contributing period, which was 30.2% higher than the HK\$49.4 million achieved in the first six months of 2007. Net rental income for the first half of 2008 rose by 75.8% year-on-year to HK\$57.4 million.

Eaton House Furnished Apartments

Supported by higher demand for service apartments from the local corporate market, rental per occupied square foot for the first half of 2008 rose 15.2% year-on-year to HK\$39.3 per square foot, and average occupancy rate for the first half rose by 2.3 percentage points to 82%. Gross rental income came in at HK\$21.5 million in the first half of 2008, representing an increase of 19.4% over the same period last year. Net rental income rose by 34.1% year-on-year to HK\$13.2 million.

United States

At the United States commercial portfolio, gross rental fell by 26.2% from HK\$82.4 million in the first half of 2007 to HK\$60.8 million, mainly due to the loss of income after the disposal of the 150 Spear Street property in 2007. Excluding the impact of 150 Spear Street, gross rental income would have been stable when compared with the same period last year.

While our properties at 353 Sacramento and 2700 Ygnacio both achieved higher occupancy rates as at the end of June 2008 as compared with the corresponding date last year, the front-loaded charge-off of re-tenanting costs more than offset the additional revenues in the 2008 first-half results.

As a result, net rental income from the U.S. commercial property portfolio dropped by 19.6% year-on-year to HK\$23.1 million.

As majority of the re-tenanting cost have been booked in first half results, net rental income should improve in the second half of the year.

HOTELS

For the six months ended 30 June 2008, the Hotels Division posted total revenue of HK\$1,548.9 million, a 14.2% increase over that of HK\$1,356.6 million for the same period in 2007, mainly due to the added revenue from the Langham Huntington, Pasadena, which was acquired on 8 January 2008. Excluding the revenue of the new hotel, gross revenue of the Hotels Division would have been flat.

Overall satisfactory performance was achieved by the hotels in Hong Kong although the second quarter saw a slowdown in business growth. In rooms revenue, there was continued focus on capturing the high-yield retail market, albeit at the expense of occupancy rates. Food and beverage business at the Langham and Langham Place hotels have performed well, supported by catering business, particularly from weddings.

The majority of the overseas properties have seen a gradual slowdown in business and leisure travel demand, as the impact of the slowing U.S. economy was being felt. Rebranding expenses related to the Langham Huntington property also cut into the overall results.

The Hotel Division continued to expand its hotel management business by securing a further two management contracts in India and New Zealand during the first half of the year, which are both under development. It will continue to seek out opportunities to enrich its management portfolio and to launch its brands in key global markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong Operations

Langham Hotel, Hong Kong

Strategic focus on retail market has lifted average rates in the first half of 2008 by 24% to HK\$1,784 as compared to last year. The completion of the room renovation phase in early September will provide a more luxurious product for our guests and better position the hotel at the higher end of the 5-star market.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 79% (2007: 84%) and average room rate of HK\$1,784 (2007: HK\$1,444).

Langham Place Hotel, Hong Kong

The performance was steady for the first half of the year with total revenue achieving double-digit growth and revenue per available room increasing 11% year-on-year, primarily driven by higher average room rates. The restaurant business also performed well along with stable pickup in banquet operations. The hotel will continue to focus on building its retail market with emphasis on capitalizing its position as a well-established venue for wedding functions.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 85% (2007: 87%) and average room rate of HK\$1,406 (2007: HK\$1,240).

Eaton Hotel, Hong Kong

The operating results in the first half of 2008 were satisfactory as the hotel continued to focus on building its retail market with room rates rising 10% over last year while holding occupancy steady. Food & beverage business saw a slight setback due to slower wedding banquet business although that was compensated by a higher volume of corporate events and conferences. The commencement of the room renovation during the second quarter with target completion in early September 2008, will further improve the guest experience and position the hotel as the best in its class.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 88% (2007: 87%) and average room rate of HK\$906 (2007: HK\$820).

International Operations

Langham Hotel, London

Operating results were impacted by the ongoing major renovation programme for guestrooms, public areas and function spaces, which started in January 2008. The hotel remained open throughout the renovation period with 162 rooms available for sale. Upon completion of the renovation in early 2009, this flagship hotel will be re-positioned with the very best in the London market and should be able to grow its room rates.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 69% (2007: 68% on 425 available rooms) and average room rate of £241 (2007: £187).

MANAGEMENT DISCUSSION AND ANALYSIS

Langham Hotel, Boston

Lower business results reflected the impact of the general economic slowdown and higher fuel prices, as fewer financial institutions and citywide conventions led to reduced corporate travellers. With the recent opening of the Chuan Spa facility in the second quarter of 2008 and the completion of refurbishment of the new bar and restaurant by the end of this year, the hotel will be well-positioned to compete effectively in a slower market.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 61% (2007: 68%) and average room rate of US\$249 (2007: US\$238).

Langham Hotel, Melbourne

This hotel achieved positive growth in the first half of 2008 due to a combination of increased business travellers and a growth in banquet revenues as compared with last year. The growth in banquet business was largely supported by the upgraded function room facilities launched in early 2008. The hotel is upgrading the arrival experience with a renovation to the front entrance to be completed by the end of 2008.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 81% (2007: 83%) and average room rate of A\$257 (2007: A\$232).

Langham Hotel, Auckland

The hotel posted softer results, especially in terms of occupancy, primarily due to the slowdown in leisure and corporate markets. Food & beverage was impacted by reduced volumes in its banquet operations. The launch of Chuan Spa and upgraded health club facilities by the end of this year will help to lift the hotel's profile and market share.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 69% (2007: 78%) and average room rate of NZ\$175 (2007: NZ\$162).

Langham Huntington, Hotel & Spa Pasadena

The hotel was rebranded to Langham on January 8, 2008. A series of marketing and advertising campaigns have been launched to build brand presence in the market place. As the new management strives to build brand awareness and the customer base, the performance of this hotel will continue to lag in the short term future.

For the period to 30 June 2008, the hotel achieved an average occupancy of 61% and average room rate of US\$247.

Delta Chelsea Hotel, Toronto

There was a moderate growth in revenue in the first half of 2008 as the hotel benefited from increased meetings and conferences in the city of Toronto.

For the six months to 30 June 2008, the hotel achieved an average occupancy of 69% (2007: 67%) and average room rate of C\$141 (2007: C\$138).

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT IN THE CHAMPION REIT

Benefiting from the continued buoyant conditions of the commercial property market in Hong Kong and the positive rental reversion at Citibank Plaza, the Champion REIT was able to increase its net property income by 98% to HK\$516.5 million in the first half of 2008. The unwinding of certain financial engineering arrangements also provided the Champion REIT with proceeds of HK\$370.9 million. It has consequently declared an increased Distribution Per Unit of HK\$0.1788 for the first half of 2008, a 31% increase over the prior year period.

Due to the Group's accounting policy of recognizing distribution income from the Champion REIT at the date of payment of the distribution, the income statement of the Group for a six-month period would reflect the distribution declared by the Champion REIT for the immediately preceding six-month period. Therefore the higher distribution declared by the Champion REIT for the first half of 2008 has not yet been reflected in the Group's 2008 first half results, given the specific distribution was declared after 30 June 2008. The interim distribution by the Champion REIT for the first half of 2008 will instead be booked in the Group's second half results. For the same reason, the Group's 2008 interim results have incorporated the final distribution from the Champion REIT for the second half of 2007, which came to HK\$124.9 million. In association with the Champion REIT's acquisition of the Langham Place properties, certain service fees were also earned by the Group. All in all, the Champion REIT increased its contribution to the Group's results in the first half of 2008 to HK\$335.5 million, as compared to HK\$138.8 million in the prior year period.

The Champion REIT, with its two premium quality assets, should continue to see strong growth in its distributable income in the coming year. We therefore expect the Champion REIT to continue to be a significant contributor of income to the Group.

FINANCIAL REVIEW

Debt

Gross debts denominated in HK dollars amounted to HK\$1,426 million as of 30 June 2008. Our foreign currency gross debts as of 30 June 2008 amounted to the equivalent of HK\$4,044 million, of which the equivalent of HK\$671 million, or 16.6% of our foreign currency debts, was on fixed-rate basis. Net of cash and bank deposits totalling the equivalent of HK\$5,795 million, our consolidated net cash outstanding as of 30 June 2008 was HK\$325 million, a turnaround position from the net debt position of HK\$5,610 million as of 31 December 2007.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2008 and the depreciated costs of the Group's hotel properties, amounted to HK\$23,840 million as of 30 June 2008. The net assets value at 30 June 2008 represents a drop of HK\$1,241 million compared to the value of HK\$25,081 million as of 31 December 2007, which is primarily due to the disposal of the Langham Place Office Tower and Mall at a discount to the appraised valuation as of 31 December 2007 as well as a mark-to-market change in fair value of the Group's long-term investment in the Champion REIT.

Finance Cost

The net finance cost of HK\$137 million incurred in the first half of 2008, represents a decrease of HK\$71 million from the HK\$208 million for the prior year period, as a result of the decrease in borrowings after receipt of the proceeds from the disposal of the Langham Place Office Tower and Mall. Interest cover for the first half of 2008 was 6.37 times, as compared with 3.71 times for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Debt Maturity Profile

As of 30 June 2008, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$8,411 million. The majority of our loan facilities is medium term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 30 June 2008:

Within 1 year	14.9%
1-2 years	31.7%
3-5 years	53.4%

Pledge of Assets

At 30 June 2008, properties of the Group with a total carrying value of approximately HK\$14,261 million (31 December 2007: HK\$27,210 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries. The drop in value of pledged assets is primarily due to the disposal of the Langham Place Office Tower and Mall, which the related debt and credit facilities were subsequently paid down and terminated.

Commitments and Contingent Liabilities

As at 30 June 2008, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK\$523 million (31 December 2007: HK\$167 million) of which approximately HK\$522 million (31 December 2007: HK\$166 million) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 30 June 2008.

OUTLOOK

The Hong Kong economy has held up fairly well so far despite a softening global economic environment and extended turmoil in the U.S. credit markets. Nevertheless, the degree of contagiousness of the U.S. financial markets and its impact on Greater China remain to be seen.

In Hong Kong's office market, the second half of 2008 will see major new supplies of office space in the peripheral districts of Kowloon. However, their potential impact would be mainly limited to their respective districts, whereas our commercial properties, as well as those owned by the Champion REIT, are all situated at prime locations. Even though the growth in rent rates might ease off in the coming months, positive rental reversion within the two property portfolios should continue to lift the Group's rental income and the income contribution from the Champion REIT in the second half of the year.

We are also expecting further softness in our hotel business in the second half as business travel slows down. The outlook for our hotels in Hong Kong is relatively stable as regional business activities have remained fairly active. However we expect the operating environment will likely become more challenging, especially for our overseas hotels. In the meantime, good progress has been made in building the group's brand, as two additional hotel management contracts have been secured and more projects are under various stages of negotiation. Despite the good progress, it takes time for these hotels to be developed and should contribute to the Group in the long term.

Earnings outlook remains positive in the second half, as growth in contribution from the Champion REIT should have a bigger impact on our core income, offsetting the softer profit contributions from the Group's hotel portfolio. With our strong balance sheet, we are well sheltered from concerns over external risks. In fact we are looking to leverage on our strong liquidity position to capture new investment opportunities in these times of uncertainties.

LO Ka Shui

Chairman and Managing Director

Hong Kong, 16 September 2008

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF GREAT EAGLE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 33 which comprises the condensed consolidated balance sheet of Great Eagle Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 16 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six Months Ended 30 June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	(3)	2,437,406	1,996,548
Cost of goods and services		(1,488,078)	(1,199,817)
Operating profit before depreciation and amortisation		949,328	796,731
Depreciation and amortisation		(177,797)	(147,741)
Operating profit		771,531	648,990
Fair value changes on investment properties		222,598	360,734
Fair value changes on derivative financial instruments		(98,967)	(2,223)
Fair value changes on financial assets carried at fair value through profit or loss		(12,342)	12,168
Other income		65,953	101,877
Administrative expenses		(90,886)	(74,715)
Other expenses		(108,471)	(6,010)
Loss on disposal of property investment subsidiaries	(17)	(450,814)	–
Finance costs	(4)	(196,005)	(282,145)
Share of results of associates		7,187	7,667
Profit before tax		109,784	766,343
Income taxes	(5)	20,124	(152,532)
Profit for the period	(6)	129,908	613,811
Attributable to:			
Equity holders of the parent		129,908	613,810
Minority interests		–	1
		129,908	613,811
Dividends	(7)	211,643	150,268
Earnings per share	(8)		
Basic		\$0.21	\$1.02
Diluted		\$0.21	\$1.02

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	As at 30 June 2008 HK\$'000 (unaudited)	As at 31 December 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	(9)	9,079,547	8,119,231
Prepaid lease payments		1,728,797	1,751,184
Investment properties	(9)	4,087,389	17,609,630
Interests in associates		43,083	38,926
Available for sale investments	(10)	7,787,101	6,263,705
Investment in convertible bonds	(11)	2,239,954	–
Loan receivables		12,077	12,077
Pledged bank deposits		–	323,226
Restricted cash		–	567,599
		24,977,948	34,685,578
Current assets			
Inventories		134,756	111,480
Debtors, deposits and prepayments	(12)	561,440	507,552
Financial assets carried at fair value through profit or loss		73,783	35,856
Derivative financial instruments	(13)	2,249	–
Prepaid lease payments		44,771	44,771
Bank balances and cash		5,795,414	2,884,709
		6,612,413	3,584,368
Current liabilities			
Creditors, deposits and accruals	(14)	1,067,514	1,261,706
Derivative financial instruments	(13)	–	9,714
Provision for taxation		144,296	137,184
Borrowings due within one year	(15)	812,853	3,020,131
Unsecured bank overdrafts		1,093	1,231
		2,025,756	4,429,966

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	As at 30 June 2008 HK\$'000 (unaudited)	As at 31 December 2007 HK\$'000 (audited)
Net current assets (liabilities)		4,586,657	(845,598)
Total assets less current liabilities		29,564,605	33,839,980
Non-current liabilities			
Borrowings due after one year	(15)	4,646,371	6,375,379
Deferred taxation		1,078,323	2,383,223
		5,724,694	8,758,602
NET ASSETS		23,839,911	25,081,378
Equity			
Share capital	(16)	304,825	302,315
Share premium and reserves		23,535,086	24,779,063
TOTAL EQUITY		23,839,911	25,081,378

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the parent										
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	300,427	3,368,142	(1,764,814)	1,650	402,540	163,650	8,718	17,568,334	20,048,647	288	20,048,935
Surplus on revaluation of investments	-	-	965,430	-	-	-	-	-	965,430	-	965,430
Exchange differences arising on translation of foreign operations	-	-	-	-	-	126,977	-	-	126,977	-	126,977
Net income and expenses recognised directly in equity	-	-	965,430	-	-	126,977	-	-	1,092,407	-	1,092,407
Transfer to profit or loss on sale of available for sale investments	-	-	(15,472)	-	-	-	-	-	(15,472)	-	(15,472)
Profit for the period	-	-	-	-	-	-	-	613,810	613,810	1	613,811
Total recognised income and expenses for the period	-	-	949,958	-	-	126,977	-	613,810	1,690,745	1	1,690,746
Dividend paid	-	-	-	-	-	-	-	(150,268)	(150,268)	-	(150,268)
Shares issued at premium	1,821	99,089	-	-	-	-	(1,868)	-	99,042	-	99,042
Share issue expenses	-	(21)	-	-	-	-	-	-	(21)	-	(21)
Recognition of equity-settled share based payments	-	-	-	-	-	-	6,829	-	6,829	-	6,829
At 30 June 2007	302,248	3,467,210	(814,856)	1,650	402,540	290,627	13,679	18,031,876	21,694,974	289	21,695,263
At 1 January 2008	302,315	3,470,311	(677,823)	1,650	402,540	339,099	17,640	21,225,646	25,081,378	-	25,081,378
Deficit on revaluation of investments	-	-	(1,292,700)	-	-	-	-	-	(1,292,700)	-	(1,292,700)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	7,148	-	-	7,148	-	7,148
Net income and expenses recognised directly in equity	-	-	(1,292,700)	-	-	7,148	-	-	(1,285,552)	-	(1,285,552)
Profit for the period	-	-	-	-	-	-	-	129,908	129,908	-	129,908
Total recognised income and expenses for the period	-	-	(1,292,700)	-	-	7,148	-	129,908	(1,155,644)	-	(1,155,644)
Dividend paid	-	-	-	-	-	-	-	(211,643)	(211,643)	-	(211,643)
Shares issued at premium	2,510	118,044	-	-	-	-	(517)	-	120,037	-	120,037
Share issue expenses	-	(22)	-	-	-	-	-	-	(22)	-	(22)
Recognition of equity-settled share based payments	-	-	-	-	-	-	5,805	-	5,805	-	5,805
At 30 June 2008	304,825	3,588,333	(1,970,523)	1,650	402,540	346,247	22,928	21,143,911	23,839,911	-	23,839,911

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Notes	Six Months Ended 30 June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Cash generated from operations		544,974	515,893
Hong Kong Profits Tax paid		(24,707)	(11,570)
Hong Kong Profits Tax refunded		–	15,061
Tax paid in other jurisdictions		(40,467)	(29,260)
Tax refunded in other jurisdictions		–	171
Net cash from operating activities		479,800	490,295
Investing activities			
Interest received		48,921	73,433
Dividends received from listed investments		125,359	495
Dividend received from an associate		3,030	4,673
Additions of investment properties		(36,622)	(13,799)
Additions of property, plant and equipment		(1,485,754)	(91,343)
Addition of available for sale investments		(3,700)	(19,535)
Investment in convertible bonds	(11)	(2,340,000)	–
Net proceeds on disposal of available for sale investments		–	43,603
Proceeds on disposal of property investment subsidiaries	(17)	5,486,537	–
Proceeds on disposal of property, plant and equipment		68	–
Decrease in loan receivables		–	323
Decrease (increase) in pledged bank deposits		25,802	(7,573)
Decrease in restricted cash		567,599	–
Net cash from (used in) investing activities		2,391,240	(9,723)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Financing activities		
Interest paid	(198,373)	(281,218)
Issue of shares	1,420	5,157
Share issue expenses	(22)	(21)
New bank loans raised	792,822	–
Repayments of bank and revolving loans	(459,945)	(198,826)
Dividends paid to shareholders	(93,026)	(56,383)
Net cash from (used in) financing activities	42,876	(531,291)
Increase (decrease) in cash and cash equivalents	2,913,916	(50,719)
Effect of foreign exchange rate changes	(3,073)	43,311
Cash and cash equivalents at 1 January	2,883,478	2,919,827
Cash and cash equivalents at 30 June	5,794,321	2,912,419
Analysis of cash and cash equivalents		
Bank balances and cash	5,795,414	2,918,554
Bank overdrafts	(1,093)	(6,135)
	5,794,321	2,912,419

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(1) BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

(2) PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

The adoption of these new interpretations had no material effect on how the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segment ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

The Directors of the Company anticipate that the application of these new/revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised). The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

(3) BUSINESS SEGMENTS

For management purposes, the Group is currently organised into the following operations:

- Property investment – rental income from leasing of properties and furnished apartments and properties held for investment potential.
- Hotel operation – hotel accommodation, food and banquet operations.
- Other operations – sales of building materials, restaurant operation, provision of property management, investment in securities, maintenance and agency services, management service as a manager of real estate investment trust, provision of insurance agency services and fitness centre operation.

These operations are the basis on which the Group reports its primary segment information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

Segment information about these businesses is presented below:

Six Months Ended 30 June 2008

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
External sales	392,460	1,548,921	496,025	-	2,437,406
Inter-segment sales	32,263	-	11,504	(43,767)	-
Total	424,723	1,548,921	507,529	(43,767)	2,437,406
Inter-segment sales are charged at mutually agreed prices.					
RESULTS					
Segment results	255,181	54,383	362,617		672,181
Unallocated corporate income					27,851
Unallocated corporate expenses					(61,905)
Loss on disposal of property investment subsidiaries	(450,814)	-	-		(450,814)
Fair value changes on investment properties	222,598	-	-		222,598
Fair value changes on derivative financial instruments					(98,967)
Fair value changes on financial assets carried at fair value through profit or loss					(12,342)
Finance costs					(196,005)
Share of results of associates	-	-	7,187		7,187
Profit before tax					109,784
Income taxes					20,124
Profit for the period					129,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

Six Months Ended 30 June 2007

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
External sales	384,536	1,356,646	255,366	-	1,996,548
Inter-segment sales	12,028	-	10,535	(22,563)	-
Total	396,564	1,356,646	265,901	(22,563)	1,996,548

Inter-segment sales are charged at mutually agreed prices.

RESULTS

Segment results	222,300	257,760	174,629		654,689
Unallocated corporate income					57,868
Unallocated corporate expenses					(42,415)
Fair value changes on investment properties	360,734	-	-		360,734
Fair value changes on derivative financial instruments					(2,223)
Fair value changes on financial assets carried at fair value through profit or loss					12,168
Finance costs					(282,145)
Share of results of associates	-	-	7,667		7,667
Profit before tax					766,343
Income taxes					(152,532)
Profit for the period					613,811

(4) FINANCE COSTS

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Interest on bank borrowings not wholly repayable within five years	-	32,315
Interest on bank borrowings wholly repayable within five years	156,729	183,950
Interest on other loans wholly repayable within five years	29,637	58,904
Other borrowing costs	9,639	6,976
Total	196,005	282,145

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(5) INCOME TAXES

	Six Months Ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Current period:		
Hong Kong Profits Tax	54,852	38,519
Other jurisdictions	17,388	12,326
	72,240	50,845
Under(Over) provision in prior periods:		
Hong Kong Profits Tax	(3)	–
Other jurisdictions	15	(167)
	12	(167)
	72,252	50,678
Deferred tax:		
Current period	7,797	101,854
Attributable to change in tax rate	(100,173)	–
	(92,376)	101,854
	(20,124)	152,532

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2007: 17.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 26 June 2008, the Hong Kong Legislative Council passed the revenue bill 2008 which included the reduction in corporate tax rate by 1% from 17.5% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(6) PROFIT FOR THE PERIOD

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation on other property, plant and equipment	61,767	45,151
Depreciation on hotel buildings	93,643	80,204
Fitting-out works of hotel buildings (2007: investment properties) written off (included in other expenses)	106,881	5,940
Loss on disposal of property, plant and equipment	1,590	70
Amortisation of prepaid lease payments	22,387	22,386
Staff costs, including directors' emoluments	653,399	526,465
and after crediting:		
Interest income	58,536	73,498
Dividend income from available for sale investments:		
– Champion Real Estate Investment Trust ("Champion REIT")	124,931	83,315
– Others	428	495
Gain on disposal of listed available for sale investments	–	17,387
Net exchange gain	4,892	8,563

(7) DIVIDENDS

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Dividends recognised as distribution during the period:		
2007 Final dividend paid – HK35 cents per share	211,643	–
2006 Final dividend paid – HK25 cents per share	–	150,268
	211,643	150,268
Interim dividend declared – HK20 cents per share (2007: HK15 cents per share)	121,933	90,687
Special interim dividend declared – HK\$2.70 per share	1,646,093	–
	1,768,026	90,687

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

During the period, a dividend of HK35 cents (final dividend of 2006: HK25 cents) per share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend for 2007. The scrip dividend alternatives were accepted by the shareholders as follows:

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Dividends:		
Cash	93,026	56,383
Share alternative	118,617	93,885
	211,643	150,268

(8) EARNINGS PER SHARE

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

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	129,908	613,810

	Six Months Ended 30 June	
	2008	2007
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	604,786,338	600,988,034
Effect of dilutive potential shares:		
Share options	242,015	470,441
Weighted average number of shares for the purpose of diluted earnings per share	605,028,353	601,458,475

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(9) MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The investment properties with a carrying value of HK\$69,400,000 (six months ended 30 June 2007: HK\$67,000,000) was transferred to property, plant and equipment. On 8 January 2008, the Group acquired a hotel property situated in the United States of America amounting to HK\$1,287,363,000. The additions and disposals of other property, plant and equipment during the period were HK\$194,673,000 (six months ended 30 June 2007: HK\$84,270,000) and HK\$108,539,000 (six months ended 30 June 2007: HK\$151,000) respectively.

During the period, the Group had additions to improvement work on investment properties at a cost of HK\$11,545,000 (six months ended 30 June 2007: HK\$16,963,000).

On 3 June 2008, the Group completed the disposal of Langham Place. Accordingly, the carrying amounts of the investment property and owner occupied land and buildings were reduced by HK\$13,687,000,000 and HK\$353,480,000, respectively. Details of the disposal are set out in note 17.

The fair value of the Group's investment properties as at 30 June 2008 was carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Knight Frank Petty Limited

Investment properties in the United States of America – Cushman & Wakefield of California, Inc.

The valuations, which conform to International Valuation Standards, were arrived at using the basis of capitalisation of net rental income.

(10) AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise:

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Listed securities in Hong Kong:		
– Champion REIT	7,695,498	6,167,196
– Others	71,822	76,728
Unlisted securities in Hong Kong	19,781	19,781
	7,787,101	6,263,705
Market value of listed securities	7,767,320	6,243,924

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

On 3 June 2008, the Group received 781,221,000 units of Champion REIT with a fair value of HK\$2,812,396,000 as part of the consideration of disposal of Langham Place. Details of the disposal are set out in note 17. In addition, the Group further acquired 1,000,000 units of Champion REIT with a fair value of HK\$3,700,000 in June 2008. As at 30 June 2008, the Group holds 48.7% (31 December 2007: 48.5%) interest in Champion REIT.

At the balance sheet date, all the listed securities are stated at fair value.

The above unlisted investments represent investment in unlisted equity securities issued by a private entity and club debentures. They are measured at cost less impairment at each balance sheet date.

(11) INVESTMENT IN CONVERTIBLE BONDS

On 3 June 2008, the Group subscribed for HK\$2,340 million 1% guaranteed convertible bonds due 2013 (the "Bond") of Champion REIT. The effective interest rate of the straight debt component is 6.27% per annum. The Bond is listed on The Stock Exchange of Hong Kong Limited. Details of the transaction are set out in the announcements of the Company dated 28 May 2008 and 3 June 2008.

The investment in convertible bonds of Champion REIT has been split between a straight debt receivable component and embedded derivatives (note 13). The Group engaged an independent valuer to assess the fair value of the embedded derivatives taking into accounts of the quoted market price at subscription date and balance sheet date. The movement of the convertible bonds for the period is as follows:

	Straight debt HK\$'000	Embedded derivatives HK\$'000
	(unaudited)	(unaudited)
Convertible bonds subscribed on 3 June 2008	2,229,084	110,916
Interest income recognised during the period	10,870	–
Change in fair value	–	(110,864)
At 30 June 2008	2,239,954	52

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(12) DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Trade debtors	321,661	286,628
Deferred rent receivables	14,991	70,235
Other receivables	51,110	58,793
Deposits and prepayments	173,678	91,896
	561,440	507,552

The Group maintains a defined credit policy. 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. The following is an aged analysis of trade debtors net of allowance for doubtful debts:

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
0-3 months	276,106	234,167
3-6 months	18,205	5,223
Over 6 months	27,350	47,238
	321,661	286,628

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(13) DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008		31 December 2007	
	Assets HK'000	Liabilities HK'000	Assets HK'000	Liabilities HK'000
	(unaudited)	(unaudited)	(audited)	(audited)
Interest rate swaps and forward currency contracts (note)	2,197	–	–	9,714
Embedded derivatives in convertible bonds (note 11)	52	–	–	–
	2,249	–	–	9,714

Note: The Group has used sterling pound interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Interest rate swap contracts of notional amount to sterling pound 40,000,000 (2007: sterling pound 40,000,000) in aggregate were entered for periods up to 2009, to swap floating-rate borrowings to fixed-rate borrowings of interest rates ranging from 4.91% to 5.48% (2007: 4.91% to 5.48%) per annum.

In addition, the Group entered into foreign currency derivative contracts to manage its exposure to foreign exchange rate movement.

Changes in fair value of the derivative financial instruments were charged to the condensed consolidated income statement.

(14) CREDITORS, DEPOSITS AND ACCRUALS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
	(unaudited)	(audited)
Trade creditors	149,625	205,399
Rental deposits	148,598	260,209
Construction fee payable and retention money payable	393,949	422,987
Accruals, interest payable and other payables	375,342	373,111
	1,067,514	1,261,706

The aged analysis of trade creditors is as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
	(unaudited)	(audited)
0-3 months	143,221	200,554
3-6 months	1,365	2,650
Over 6 months	5,039	2,195
	149,625	205,399

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(15) BORROWINGS

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Bills payable	16,471	11,148
Bank loans and revolving loans (secured)	4,316,246	8,249,514
Other non-current loans (secured)	1,137,435	1,147,545
	5,470,152	9,408,207
Loan front-end fee	(10,928)	(12,697)
	5,459,224	9,395,510
The maturity of the above loans is as follows:		
On demand or within one year	812,853	3,020,131
More than one year but not exceeding two years	1,731,868	1,907,840
More than two years but not exceeding five years	2,914,503	4,467,539
	5,459,224	9,395,510
Less: Amounts due within one year shown under current liabilities	(812,853)	(3,020,131)
	4,646,371	6,375,379

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

Effective interest rate:

	30 June 2008 (unaudited)	31 December 2007 (audited)
Fixed-rate borrowings	4.52% to 12.50%	4.52% to 12.50%
Variable-rate borrowings	2.79% to 8.23%	4.62% to 10.22%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(16) SHARE CAPITAL

(a) Authorised:

	30 June 2008 (unaudited)		31 December 2007 (audited)	
	Number of shares '000	Nominal Value HK\$'000	Number of shares '000	Nominal Value HK\$'000
<i>Shares of HK\$0.5 each</i>				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000

(b) Issued and fully paid:

	30 June 2008 (unaudited)		31 December 2007 (audited)	
	Number of shares '000	Nominal Value HK\$'000	Number of shares '000	Nominal Value HK\$'000
<i>Shares of HK\$0.5 each</i>				
Balance brought forward	604,631	302,315	600,854	300,427
Issued upon exercise of share options under the Share Option Scheme	78	39	423	211
Issued as scrip dividends	4,940	2,471	3,354	1,677
Balance carried forward	609,649	304,825	604,631	302,315

During the period, 4,940,289 (2007: 3,353,013) shares of HK\$0.50 each in the Company were issued at HK\$24.01 (2007: HK\$28) per share as scrip dividends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(17) DISPOSAL OF PROPERTY INVESTMENT SUBSIDIARIES

On 14 February 2008, the Group entered into sale and purchase agreements (the "Agreements") with Champion REIT in connection with the disposal of the Group's property interest in Langham Place and its related assets and liabilities (the "Disposal"). Details of the Disposal are set out in the circular of the Company dated 16 February 2008.

The Disposal was completed on 3 June 2008 and was accounted for as the disposal of property investment subsidiaries. The net assets of the property investment subsidiaries at the date of disposal were as follows:

	HK\$'000	
	(unaudited)	
Net assets disposed of:		
Investment properties		13,687,000
Owner occupied land and buildings		353,480
Pledged bank deposits		297,424
Debtors, deposits and prepayments		110,175
Bank balances and cash		93
Creditors, deposits and accruals		(197,136)
Bank loans		(4,291,134)
Deferred taxation		(1,211,258)
		<hr/> 8,748,644
Total consideration satisfied by:		
Cash	5,486,630	
Amount payable to Champion REIT	(1,196)	
Fair value of units issued by Champion REIT (Note)	2,812,396	8,297,830
		<hr/>
Loss on disposal of property investment subsidiaries		(450,814)
Net cash inflow arising on disposal:		
Cash consideration received		5,486,630
Bank balances and cash disposed of		(93)
		<hr/> 5,486,537

Note:

The Group received 781,221,000 units of Champion REIT with a fair value of HK\$2,812,396,000 as part of the consideration of the Disposal on 3 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(18) SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:-

	<u>Number of share options</u>
Outstanding at 1 January 2008	4,080,000
Exercised during the period	(78,000)
Cancelled during the period	(35,000)
Outstanding at 30 June 2008	<u>3,967,000</u>

No share option was granted during the period.

(19) COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2008, the Group has authorised capital expenditure for acquisition of investment properties and property, plant and equipment which is not provided for in these condensed consolidated financial statements amounting to HK\$522,972,000 (31 December 2007: HK\$157,375,000) of which HK\$522,427,000 (31 December 2007: HK\$156,574,000) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities at the balance sheet date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(20) RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the period and balances at the balance sheet date with associates and related companies. Related companies are companies in which some shareholders and directors of the Company have beneficial interests. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

	Six Months Ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Transactions with related companies		
Trading income	122	6,242
Rental income	1,790	707
Management fee received	360	360
Rental charges	300	300
Cost and expenses incurred for super-structural works	–	20,496
Payment for renovation works	–	841

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
	Balances as at	
Amounts due from associates	12,077	12,077
Amounts due from related companies (included in debtors, deposits and prepayments)	3,844	3,872
Amounts due to related companies (included in creditors, deposits and accruals)	287,363	287,090

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the interests and short position of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Number of ordinary shares				Total	Percentage of shareholding	Number of outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests			
Lo Ka Shui	7,823,110	–	29,503,407 ⁽¹⁾	241,701,691 ⁽²⁾	279,028,208	45.77	900,000
Lo Kai Shui	–	–	513,113 ⁽³⁾	200,382,200 ⁽⁴⁾	200,895,313	32.95	400,000
Lo To Lee Kwan	958,624	–	4,405,584 ⁽⁵⁾	–	5,364,208	0.88	–
Cheng Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
Lo Hong Sui, Antony	2,984	–	–	–	2,984	–	250,000
Law Wai Duen	292,744	–	–	200,382,200 ⁽⁴⁾	200,674,944	32.92	100,000
Lo Hong Sui, Vincent	293	–	–	–	293	–	–
Lo Ying Sui, Archie	3,855,046	3,700	33,269,396 ⁽⁶⁾	200,382,200 ⁽⁴⁾	237,510,342	38.96	–
Kan Tak Kwong	860,431	–	–	–	860,431	0.14	420,000

Notes:

(1) These 29,503,407 shares are held by a company wholly-owned by Dr. Lo Ka Shui.

(2) These 241,701,691 shares comprise:

- (i) 200,382,200 shares which are owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Law Wai Duen and Dr. Lo Ying Sui, Archie are beneficiaries; and
- (ii) 41,319,491 shares which are owned by another discretionary trust of which Dr. Lo Ka Shui is the Founder.

DISCLOSURE OF INTERESTS

- (3) These 513,113 shares are held by companies wholly-owned by Mr. Lo Kai Shui.
- (4) These shares are the same parcel of shares referred to in Note (2)(i) above.
- (5) These 4,405,584 shares are held by companies wholly-owned by Mrs. Lo To Lee Kwan.
- (6) These 33,269,396 shares are held by a company wholly-owned by Dr. Lo Ying Sui, Archie.

2. Long positions in shares of an associated corporation of the Company

Dr. Lo Ka Shui beneficially owned 150,000 shares in the capital of Recruit Holdings Limited representing 0.048% of the issued share capital of the company.

Save as disclosed above, as at 30 June 2008, none of the Directors of the Company were, under Divisions 7, 8 and 9 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares or underlying shares of the Company and its associated corporations, that were required to be entered into the register kept by the Company under section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION

Pursuant to an ordinary resolution passed on 10 June 1999, the Company had adopted the Great Eagle Holdings Limited Share Option Scheme (the "Share Option Scheme"), which was amended by an ordinary resolution passed on 20 December 2001, in order to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary and to allow them to participate in the growth of the Company.

1. Movements of the Share Options granted to the Company's employees (including Directors)

During the six months ended 30 June 2008, movements of the Share Options granted to the Company's employees (including Directors) as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

Date of grant	Number of Share Options					Outstanding as at 30/06/2008	Exercise period	Subscription price per share (HK\$)
	Outstanding as at 01/01/2008	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
10/02/2003	15,000	-	-	(15,000)	-	-	11/02/2005 – 10/02/2008	4.625
16/03/2004	5,000	-	-	-	-	5,000	17/03/2006 – 16/03/2009	13.550
17/03/2005	1,013,000	-	(78,000) ⁽¹⁾	-	-	935,000	18/03/2007 – 17/03/2010	18.210
04/01/2007	3,047,000	-	-	(20,000)	-	3,027,000	05/01/2009 – 04/01/2012	22.350
	4,080,000	-	(78,000)	(35,000)	-	3,967,000		

DISCLOSURE OF INTERESTS

2. Movements of the Share Options granted to Directors

During the six months ended 30 June 2008, movements of the Share Options granted to Directors (some are also substantial shareholders) under the Share Option Scheme as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

Name of Director	Date of grant	Outstanding as at 01/01/2008	Number of Share Options				Outstanding as at 30/06/2008
			Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Lo Ka Shui	17/03/2005	300,000	-	-	-	-	300,000
	04/01/2007	600,000	-	-	-	-	600,000
		900,000	-	-	-	-	900,000
Lo Kai Shui	17/03/2005	200,000	-	-	-	-	200,000
	04/01/2007	200,000	-	-	-	-	200,000
		400,000	-	-	-	-	400,000
Lo Hong Sui, Antony	17/03/2005	50,000	-	-	-	-	50,000
	04/01/2007	200,000	-	-	-	-	200,000
		250,000	-	-	-	-	250,000
Law Wai Duen	17/03/2005	50,000	-	(50,000) ⁽²⁾	-	-	-
	04/01/2007	100,000	-	-	-	-	100,000
		150,000	-	-	-	-	100,000
Kan Tak Kwong	17/03/2005	120,000	-	-	-	-	120,000
	04/01/2007	300,000	-	-	-	-	300,000
		420,000	-	-	-	-	420,000
Total:		2,120,000	-	(50,000)	-	-	2,070,000

Notes:

- (1) The weighted average closing price of the 78,000 shares immediately before the dates on which the options were exercised was HK\$24.26.
- (2) The weighted average closing price of the 50,000 shares immediately before the date on which the options were exercised was HK\$24.
- (3) Consideration paid for each grant of option was HK\$1.00.
- (4) The vesting period for the option grant is 24 months from date of grant.
- (5) During the six months ended 30 June 2008, no share options was granted to the Company's employees (including Directors).

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2008, the long positions of the following persons (other than a Director or the chief executive of the Company) who had interest or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company:

Name of Shareholders	Number of shares	Percentage of issued share capital
HSBC International Trustee Limited	244,990,957 ⁽¹⁾	40.18
Adscan Holdings Limited ⁽²⁾	33,269,396	5.50
Cohen & Steers, Inc.	30,274,886	5.01

Notes:

(1) These 244,990,957 shares comprise:

- (i) 200,382,200 shares which are held by HSBC International Trustee Limited ("HITL") as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Law Wai Duen and Dr. Lo Ying Sui, Archie are the beneficiaries;
- (ii) 41,319,491 shares which are held by HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the Founder; and
- (iii) 3,289,266 shares which are held by HITL in the capacity of trustee (other than a bare trustee).

(2) A company wholly-owned by Dr. Lo Ying Sui, Archie.

(3) Powermax Agents Limited, a wholly-owned subsidiaries of HITL, holds 143,082,768 shares in the Company. The said 143,082,768 shares are among the shares referred to in Note (1)(i).

(4) Surewit Finance Limited, a wholly-owned subsidiary of KSL Management Limited, holds 41,319,491 shares in the Company. These two companies are wholly-owned subsidiaries of HITL and the said 41,319,491 shares are the same parcel of shares referred to in Note (1)(ii) above.

Save as disclosed above, no person (other than Directors of the Company) is interested (or deemed to be interested) or holds any short position in the shares or underlying shares of the Company which were recorded in the register required to be disclosed to the Company under the provisions of Divisions 2 and 3 of the SFO, or which were required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The 2008 interim report has been reviewed by the Audit Committee of the Company and the financial statements for the six months ended 30 June 2008 were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and have been reviewed by the Independent Auditors Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed in the following paragraphs, during the six months ended 30 June 2008, the Company has complied with all 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 Main Board Listing Rules throughout the period under review.

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 Code Provision A.2.1, dual role leadership has been in practice by the Company for decades and has stood for the test of time. The Board considered this arrangement is appropriate to 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 the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals including three 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 have no fixed term of office. The Board considers that the provisions in the Bye-laws 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, 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 subject the executive chairman and managing director of the Company to retire by rotation.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Stock Exchange Listing Rules. Having made specific enquiry, all Directors of the Company have confirmed that they fully complied with the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLIC FLOAT

As far as the Company is aware, as at 30 June 2008, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

EMPLOYEES

The number of employees rose from 4,044 as at 31 December 2007 to 4,622 as at 30 June 2008. The increase was mainly attributable to the completion of the acquisition of a hotel in Pasadena, California thereby bringing in approximately 600 employees to the Group. 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 for the period, with particular emphasis on performance management.

DIVIDEND NOTICE

INTERIM DIVIDEND

The Board of the Directors of Great Eagle Holdings Limited (the “Company”) has resolved to declare an interim dividend of HK20 cents per share (2007: HK15 cents per share) and a special interim dividend of HK\$2.7 per share (2007: Nil) for the six months ended 30 June 2008 payable on 22 October 2008 to those Shareholders whose names appear on the Register of Members of the Company on 13 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 8 October 2008 to Monday, 13 October 2008, both days inclusive, during which period no transfer of shares will be registered. In order to receive the interim dividend and the special interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 6 October 2008.



Great Eagle Holdings Limited
鷹君集團有限公司

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

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

香港灣仔港灣道23號
鷹君中心33樓
電話 : (852) 2827 3668 傳真 : (852) 2827 5799

www.GreatEagle.com.hk